

Voices of Europe and Central Asia: New Insights on Shared Prosperity and Jobs

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Bosnia and Herzegovina. Photo© Hidajet Delic-Degi/World Bank

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Overview

Ainura lives in a village in Naryn Oblast (region) in the Kyrgyz Republic. Economic conditions in the village have improved greatly in the last decade, allowing many families to escape poverty. Ainura has also seen her life change for the better. She talks about the members of her family seizing the opportunities opening up around them.

“In 2007 we opened a shop by ourselves and built a house,” she says proudly. “We bought a house in Bishkek for our son. We have married off our children.” It did not come easy, and both she and her husband had to work, while her family also helped her raise the children.

“All the major purchases were made thanks to the livestock and hay we sold,” she explains. “All the money we saved, we invested to purchase the livestock.” This is how they bought their shop, which continues to be their main source of income, together with her husband’s modest pension and small revenues from agriculture. She says she is lucky “the price of hay has been good”. But, when Ainura reflects on her overall well-being, she talks about her own empowerment, too.

“I learned to make shirdaks [carpets],” she happily concludes: “I think my commercial experiences [at the store] and making shirdaks have brought the most meaning to my life: at the moment, all is good.”

But not everyone in the Europe and Central Asia region has been as lucky.

Marko, who is 50 years old, was devastated by the socioeconomic transition in Serbia. Over the course of his life, his household fell from the middle class into poverty.

“I’m not from a family that was always poor, but from a family that always traveled and enjoyed themselves,” he says. “I traveled all over Europe as a young man. I had a good car, and I dressed well. And then, all of a sudden, it all vanished.” His problems started in 2005 when he lost his stable job at the Belgrade City Transportation Company as a consequence of restructuring. Since then, Marko has worked occasionally and informally, always thanks to the support of friends, while his wife started making and selling small handicraft goods.

“When I lost my job, a friend found me construction work,” Marko says. “I went to South Africa for work [for two years] with the help of another friend. Their support was and still is very important to me.”

“It was better financially,” he continues, recalling those years, “but there was less stability because the job wasn’t secure.” Indeed, it did not last long. Today, Marko and his wife survive through social assistance. Thanks to this steady source of income, he pays the electricity bills. Meanwhile, he helps a friend who keeps bees and hopes eventually to obtain a grant to start his own bee-keeping business.

* * *



The experiences of Ainura and Marko differ sharply. Over the last decade, a large share of the population in the region has benefited, like Ainura, from economic advances generated by strong growth in their communities. New opportunities have opened up in labor markets and entrepreneurship; new infrastructure and services have been built; and people have accumulated new knowledge and assets and been awakened to new aspirations. But the story shared by Marko is also not rare. Throughout the region, the economic transition of the 1990s and more recent shocks have reduced the role of the state as a source of employment and have taken a toll on many households.

Although diverging, both stories reveal the central role jobs play in driving economic mobility, the value of informal institutions such as family, friends and professional networks in supporting household welfare and employment, as well as the impact of social norms in shaping people's opportunities.

Using new qualitative data from nine countries in Europe and Central Asia, including structured focus group discussions and semi-structured in-depth interviews in 43 communities, this report explores factors that have supported or hindered economic mobility and access to jobs among men and women in the region. A bottom-up understanding of how societies perceive progress and the opportunities for and challenges to upward mobility is extremely valuable. Expanding on traditional quantitative surveys, a qualitative approach facilitates the gathering of insights on the obstacles to economic mobility and productive employment that are otherwise difficult to capture, most often around informal institutions and attitudes. The qualitative analysis covers Bosnia and Herzegovina, FYR Macedonia, Georgia, Kazakhstan, Kosovo, Kyrgyz Republic, Serbia, Tajikistan and Turkey, following a common methodology implemented in 2013 (Annex 1).

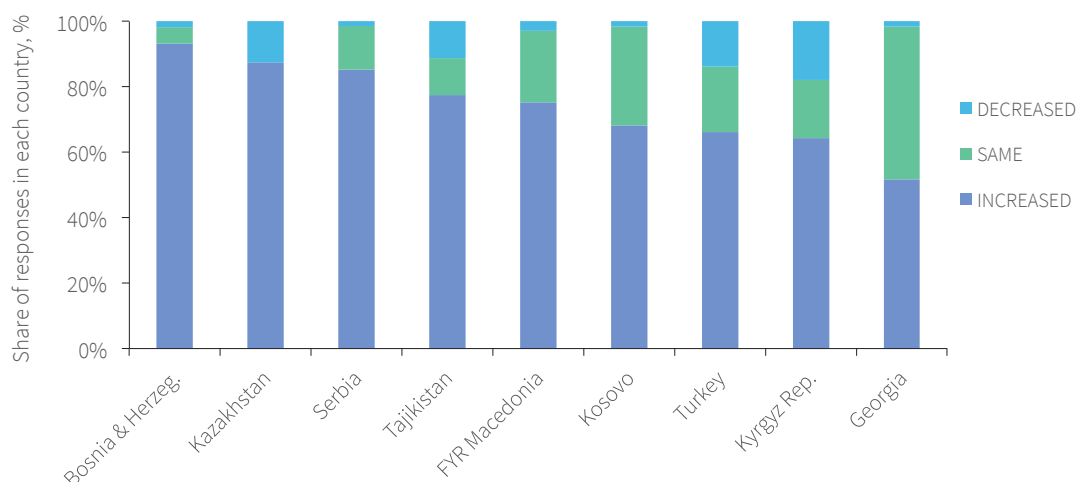
“Those at the top, the rich ones, stay as they are, but those below are drastically different, and we’re going downhill,” was the particularly telling comment of a man in FYR Macedonia. “And, while we sink, those at the top go even higher.”

“Poor people have no foundation,” explains an urban Kyrgyz woman. “It is hard for children to get on their feet if their parents have not accumulated money.”

“Over the last 10 years, we have only done worse,” said an urban dweller in Bosnia and Herzegovina. “We took out loans and became poorer, while those at the top started getting richer thanks to our interest rates and taxes.”

“If someone has some property or money today, it is from previous generations,” said a rural resident in Georgia. “Nowadays, a poor person cannot afford even a 100-meter row in a vineyard.”

Listening to the voices of Europe and Central Asia reveals that, despite an overall good performance in economic growth and shared prosperity, there is a lot of discontent and rising concerns about a disappearing middle class. While economic growth in most countries in the region has created a ladder to better living standards, many people see no open path to climb above the first rungs. Men and women in the region aspire to be or remain in the middle class, and yet, many see it as elusive. Instead, men and women across the region describe societies that are greatly and increasingly polarized. Advances in living standards at the lower end of the distribution are outpaced by more rapid gains at the top, resulting in widespread percep-

FIGURE 0.1 Across Countries, Inequality Is Perceived to Be Widening*Perceived change in gap between poorest and richest in own community, by country, % of employed adult respondents*

Source: Compiled from responses during 86 focus group discussions among employed men and women.

Note: The results are not representative at either the country or regional level, but simply help anchor the narrative discussion and allow for some comparative analysis. This applies to all figures in this report.

tions of increasing inequality (figure 0.1).¹ Across countries, people are voicing frustration about slow progress, inequality of opportunities and the limited sustainability of the gains that have been achieved. These concerns may be partly related to the global economic crisis, but not exclusively. In fact, these perceptions are echoed in discussions referring to the pre-crisis period, and are also consistent with related findings for the mid-2000s when the region was growing rapidly.²

The lack of good jobs, particularly among women and youth, is driving the discontent

¹ The data collection instrument includes a series of close-ended questions, including this one. As the qualitative discussions, they are not meant to show a representative finding, but to provide an initial basis for interpretation of and comparative work with the narratives emerging in the discussions. The rating exercise also helps to reduce potential biases in focus groups discussions arising from anchoring views on the perceptions of whoever responded first to the question, and helps capture views of all participants.

² Cancho et al (2015a and 2015b), using Life in Transition Surveys 2006.

amidst rising prosperity. Access to jobs is the main factor that can propel households into higher living standards and the middle class, or precipitate a downward spiral (figures 0.2 and 0.3). The voices of Europe and Central Asia communicate this loudly and clearly.

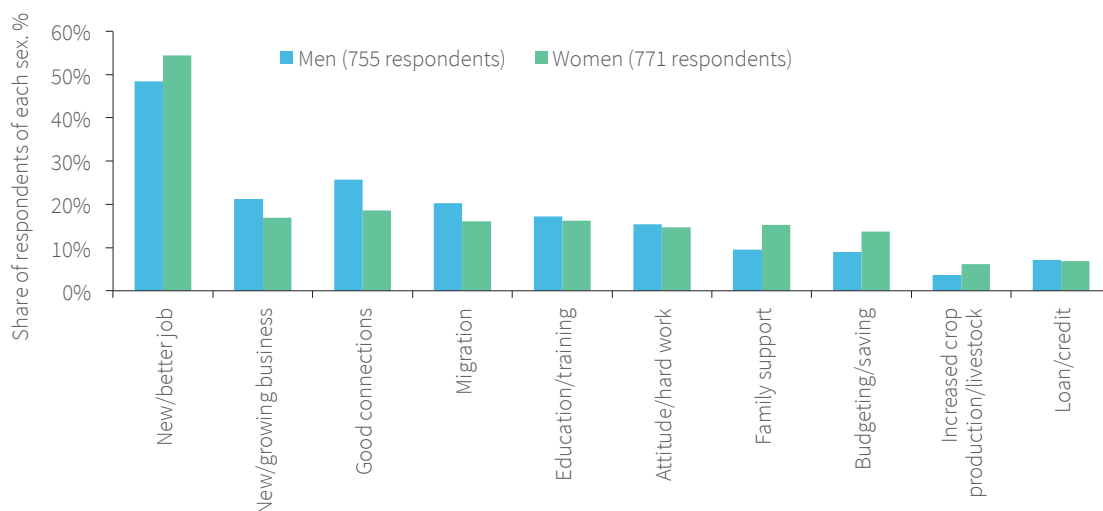
Across the region, people aspire to a middle class that is largely defined by stable employment and earnings. The Ladder of Life –a community-specific description of the different socio-economic levels present in the community– is largely defined by individuals' employment status and job prospects.

Yet, jobs –especially stable, well-paying jobs– are seen as out of reach for a large share of people.

Poor labor market prospects are even more glaring when contrasted with people's high, often unrealistic, expectations. The overwhelming majority of people in the region, even youth, associate the middle class and upward mobility

FIGURE 0.2 Men and Women See Jobs – and Factors Associated with Job Opportunities – as the Number One Driver of Upward Mobility

Factors important in getting ahead in the community, by sex, % of adult respondents

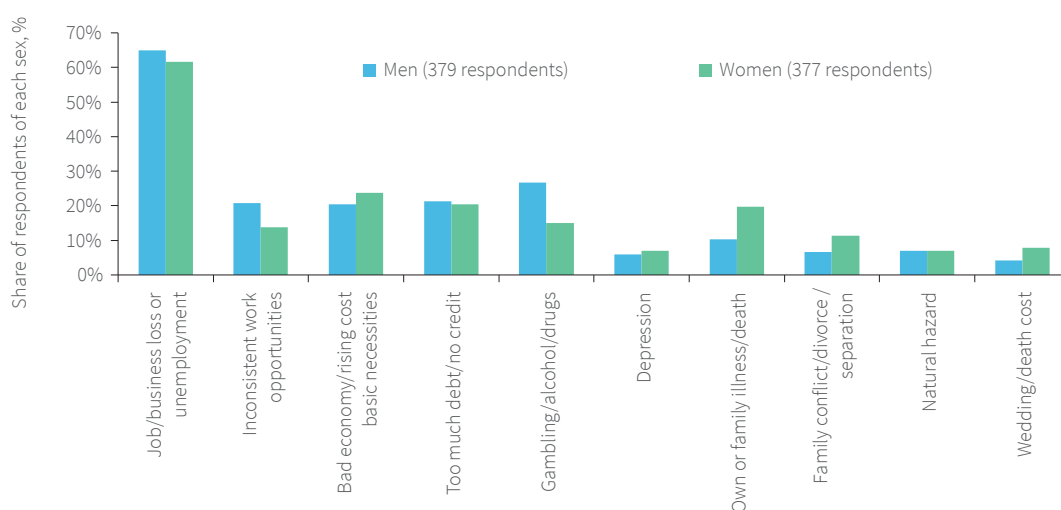


Source: 172 FGDs with adult men and women.

Note: Each focus group participant was asked to select two upward mobility factors; the share indicates the share of participants that chose a given factor among the top-two factors.

FIGURE 0.3 Job Losses Most Often Trigger Downward Mobility

Risks that can move households down within the community, by sex, % of employed adult respondents

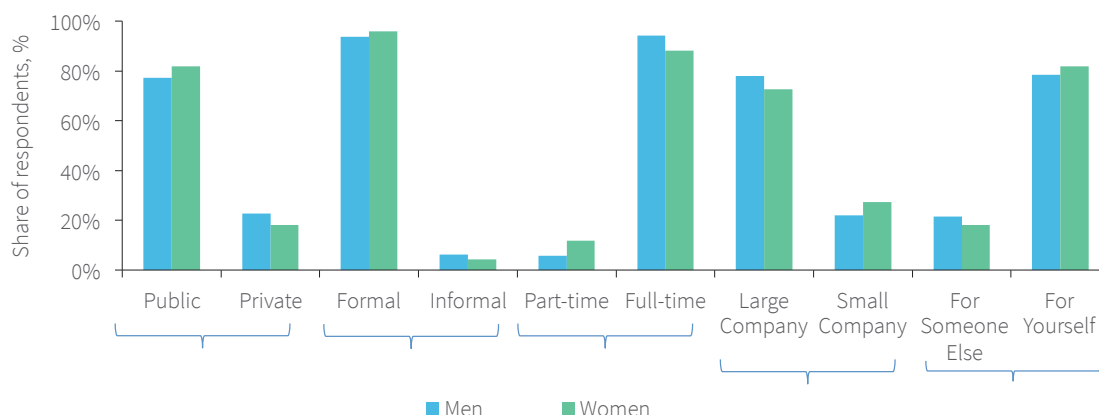


Source: 84 FGDs with employed adults. Data from women focus groups in Ferizaj (Kosovo) and village near Mardin (Turkey) are not available.

with jobs that are full-time, formal and with open contracts. The vast majority still aspires to a public sector job (figure O.4). Although some voiced their preference for a private sector job, where, they believed, the wages would be higher, promotion would be easier, and their skills would be appre-

ciated, most attached more value to the security and stability of public sector jobs.

These aspirations about jobs leave out more ‘irregular’ forms of employment that are, in fact, becoming increasingly common in

FIGURE 0.4 Most People Prefer Full-Time Formal Jobs in Large Companies or the Public Sector*Preferred job among sets of alternatives, adults, by sex, % of respondents*

Source: 136 focus group discussions with working and nonworking people in all countries, except Turkey.

many countries. Traditional definitions of employment used in household surveys include a broad range of jobs that go well beyond the formal, stable jobs that most people in the region think of when defining what a job is. These include unpaid work, informal sector work, jobs on irregular schedules, and part-time work. For example, being a worker in agriculture or construction—two very common forms of work—is often not considered an actual job by people on the ground (figure 0.5).

Given the centrality of jobs, which factors are perceived to matter most for productive employment and entrepreneurship?

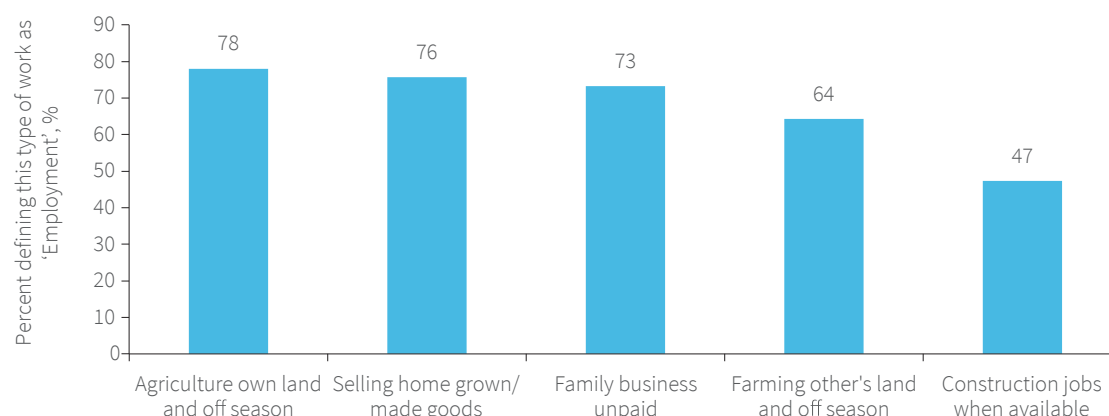
Although education is critical in opening up access to economic opportunities, and is particularly valued by youth, it is perceived to be insufficient. For youth, in particular, the challenge is that the education and skills that the educational systems offer have not evolved alongside the demands of labor markets in the region. Perceptions about low quality education are widespread, and the skills obtained in school are viewed as irrelevant for the labor market. Youth's lack of experience upon entering the labor market exacerbates this disconnect between skills

“Being part of the middle class means to be employed and to be able to meet your needs,” said a jobless woman in a village near Pristina, Kosovo. “I think you’re lower class if you don’t have a job and therefore can’t think about anything else.”

“People who belong to the middle class should not be under constant stress that they might lose their jobs,” said a jobless man in urban Serbia.

“I hope to move into the upper class,” relates a jobless woman in Istanbul. “My daughter is going to start working and earning wages. My husband will retire and receive a pension. I can find a part-time job now that my kids are finishing school. There should be two or three wage earners in the household before one can move into the class above the middle class.”

“It is important whether you have one or two wages in the family,” explained a woman in Belgrade.

FIGURE 0.5 Many Common Jobs Are Not Considered Actual Jobs in the Region*Definitions of types of work as employment, % of adult respondents***Source:** Participants from 172 focus group.

“A secure job? All [employed family members] employed in the public sector,” agreed a group of men in FYR Macedonia. “If the government falls, they will fall too, but they are still more secure than other jobs.”

“A job is good if you have a contract,” said a woman in rural Georgia. “A contract guarantees that you will not suddenly end up unemployed.”

“If your job isn’t stable, your income isn’t stable either,” complained a man in a Tajik village.

learned and skills required in a job. However, as voiced by youth in the region, youth see—more than the older generations—a value in obtaining skills that are relevant for the labor market, and see education as a way to move up the Ladder of Life. And, while they still have job aspirations that are remarkably similar to those of the older generations, they seem willing to give up some job security for more fulfilling, more ambitious jobs. This is an opportunity for the region.

Instead, political and social connections, and social norms are perceived as most critical for accessing jobs and for improving individuals’ well-being. Importantly, these factors shape people’s expectations and aspirations about what they can achieve in life, and how people engage in society. In the region, these factors are perceived to give rise to inequality of opportunities.

People voice great frustration with how the lack of connections curtails their opportunities, and with the unfairness in the process of getting a job. Connections can play a positive role in searching for and finding a job, particularly in the presence of market and institutional failures³. But, inequalities in access to connections, power and networks, and the corruption at the top, mean that limited access to productive employment can become a trap.

Social norms, particularly those related to gender, also mediate access to jobs. Many women referred to the need to redefine roles in the house-

³ Kaas and Manger (2012) for example, show how employer discrimination disappears in the hiring process in the presence of information and networks.

“Jobs, that’s what you need connections for,” stressed a man in FYR Macedonia.

“Nowadays, it’s very difficult to find a job without connections, whether through a political party or family ties,” relates an Albanian woman in FYR Macedonia. “Someone has to recommend you.”

“Society has been formed in the way that you can’t breathe without a connection. It doesn’t matter which school you went to. If you don’t have a connection, it’s the same as if you didn’t finish school at all... You must be a member of a political party to get a job. Some individuals get into universities overnight through the help of their relations, and they get a job because of political parties,” explains a man in Bosnia and Herzegovina.

“Anywhere you go, connections matter, at a medical school or a kindergarten,” said a man in Kazakhstan.

hold to be able to look for jobs or get better jobs. Especially outside major urban areas, families see a trade-off between women working but earning a low salary and the threats to traditional norms and values that would come from a woman working outside the home.⁴ The good news is that, in many communities, norms are beginning to change. Nevertheless, the lack of access to affordable and quality child care limits progress.

All of these perceptions matter for policy design and development. Perceptions influence how people view and evaluate situations, and

⁴ Beyond social norms related to the role of women in the family and at work, social norms around what a job is in the region also influence people’s labor market engagement.

“The education we receive and the skills we learn are poor relative to what is required to meet the responsibilities of the available jobs,” said a young woman in Tajikistan.

“It is a real problem that, after receiving an education, you have no experience,” explains a young man in the Kyrgyz Republic. “For example, you’ve got an education, a specialty, and you know the theory, but you don’t know how to apply it in practice.”

“We learned nothing in high school, nothing practical,” complains a young man in Bosnia and Herzegovina. “My school was not useful to me.”

“Everyone needs an experienced worker with at least two or three years of experience,” said a young woman in the Kyrgyz Republic. “How can we have experience if we just started seeking a first job?”

thus how they make decisions.⁵ They can fuel discontent while discouraging job seeking, and investments in human capital. Findings reflect people’s perceptions that accessing economic opportunities is less dependent on one’s effort and talent, and more on one’s connections and relevant social norms. These factors could affect people’s behavior – e.g. in the labor market, support for reforms⁶ and their satisfaction with life.⁷ Importantly, since these factors are often seen as largely outside of the direct control of the individuals, they could be amplifying peo-

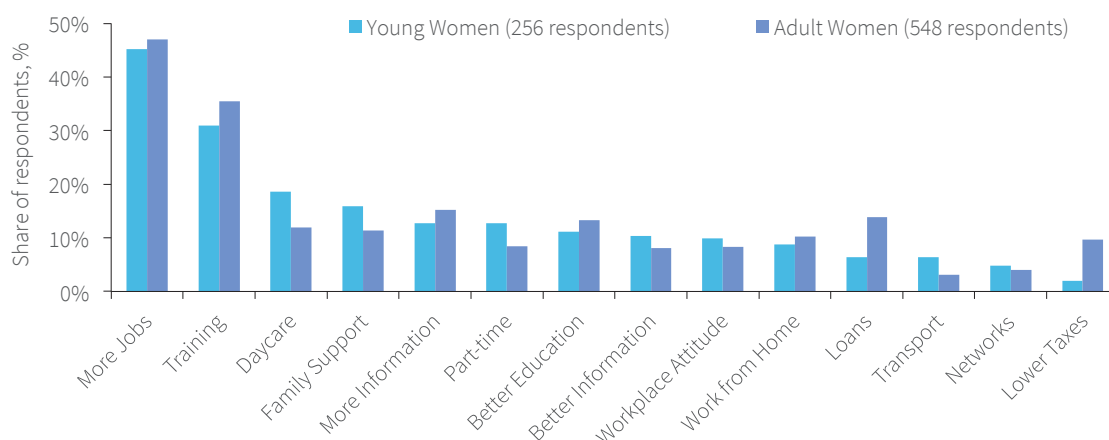
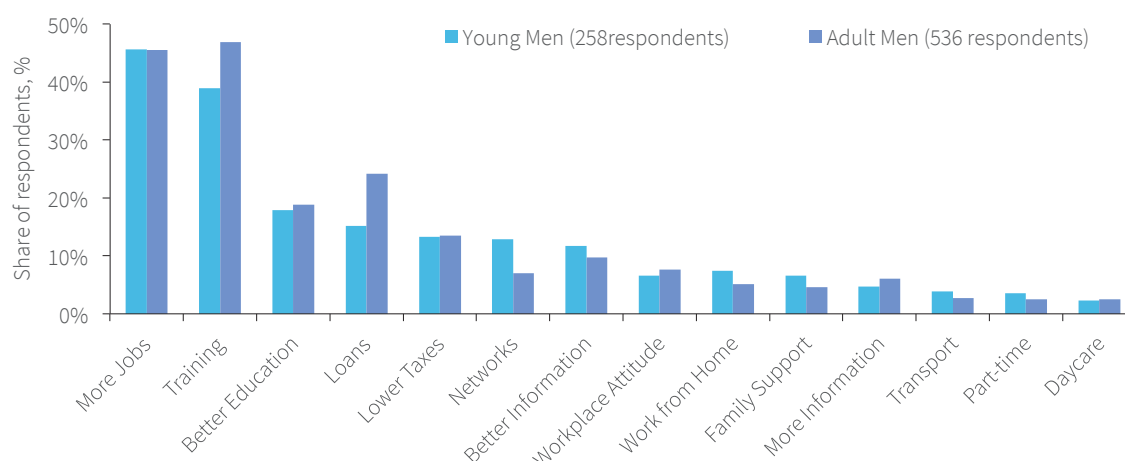
⁵ World Bank (2015c).

⁶ Alesina and Angeletos (2005), Norton and Ariely (2011), Niehues (2014), Cruces, Perez-Truglia and Martin (2013) and Kuhn (2015) discuss how perceptions affect preferences for redistribution.

⁷ Alesina et al (2004) find that perceptions of economic mobility influence people’s reported happiness.

FIGURE 0.6 More Jobs and Training Opportunities Are Important in Improving Access to Employment

Factors that would make the biggest difference in improving access to employment and entrepreneurship (for own gender), by age group, % respondents

A. WOMEN**B. MEN**

Source: 120 Focus group discussions with adults and 60 with youth in Bosnia and Herzegovina, FYR Macedonia, Kosovo, Kyrgyz Republic, Serbia and Tajikistan.

ple's discontent and jeopardizing social cohesion even when there is economic growth.

Some of the barriers to work that people face – lack of job-relevant skills and access to productive inputs – are already well known to policy makers. Moreover, the instruments to address them are part of the customary toolkit in the jobs agenda. These remain important in the region, and a majority voiced how better training and education, and access to loans, could improve their economic opportunities (figure 0.6).

The study findings reveal, however, a blind spot in policies aimed at improving access to more and better jobs.

The barriers that strongly emerge in the narratives of the qualitative analysis - the lack of networks and information, and social norms that keep people out of work -, are often ignored in the design of policy responses to the jobs challenge. These barriers play a critical role in shaping people's behavior and opportunities, and are actually amenable to policy. As such, learning from the still small, but growing, body of evidence in these areas can help enhance more

traditional approaches to labor market inclusion. Table O.1 summarizes key insights from the relevant international experience. Moving forward, as part of this process of broadening the menu of policy options, new interventions and programs ought to be rigorously evaluated to continue to build the evidence base.

The rest of the report is organized as follows.

Chapter 1 shows that accessing more and better jobs is the primary mechanism through which households improve their well-being. It complements quantitative indicators with in-depth analysis of qualitative evidence to explore how the progress in poverty reduction, shared prosperity, and access to economic opportunities are perceived by people in Europe and Central Asia. It compares and contrasts men and women's perceptions across countries. The chapter also identifies the key drivers of mobility among men and women by urban and rural location and across the income and welfare distribution.

Chapter 2 sheds the light of qualitative evidence on the economic and social barriers to gaining productive employment that are often missed by quantitative data. Many of these barriers –particularly those associated with lack of connections and limiting social norms– are outside the direct control of the individual and can therefore be particularly discouraging and foster hopelessness. The chapter discusses the ways in which these barriers affect individuals and communities and how countries can promote shared prosperity by expanding the policy toolkit to address “non-traditional” barriers to productive participation in the labor market.

Given the importance of youth unemployment and inactivity in the region, the report includes a **special section on youth** that explores the priorities and problems of young people in accessing and maintaining productive employment. Young women and young men face many hurdles in finding employment in the region, including lack

of experience, lack of access to accurate information on labor market prospects, lack of effective networks, and lack of access to productive inputs such as financing, land, and credit. Notable barriers encountered by young women are the lack of affordable, reliable childcare and the social norms and traditions that hinder women from finding employment.

But, in sum, at the core of people's perceptions about economic mobility and jobs in Europe and Central Asia, and as simply put by two people in the region, are a set of common principles: “No job, no money,” said a woman in FYR Macedonia. “More ties, more work,” concludes a man in Kosovo.

“You can't open a business if you have a husband, two children, and so many household duties,” said an employed woman in a suburb of Foča, Bosnia and Herzegovina. “It won't work, at least not here.”

“If I were to say I wish to work, my husband would ask me, ‘for what? I make money,’” said a woman in Kazakhstan.

I have a small child: my wife doesn't work. Why? Preschool is too expensive. She would give her wages to the preschool; so, it's not worth it for her to work. —Employed man, suburb of Vitez, Bosnia and Herzegovina

“The salary would have to be greater than the income from the farm,” said a woman focus group participant in a village near Tel-avi, Georgia. “It should be worthwhile for women to leave their homes to work, but, because salaries are so small, women do not look for jobs.”

TABLE 0.1 Expanding the Toolkit for Labor Market Inclusion Policies Is Key

Policy objectives	Examples of interventions
Connecting people to jobs	<p><i>Addressing governance failures, especially around public sector employment</i></p> <ul style="list-style-type: none"> • System-wide governance reforms • Improving transparency in the process of hiring, firing and rewarding public sector employees through, for example, the professionalization of the civil service, as well as incentives and technology to reduce ghost workers and absenteeism
	<p><i>Interventions aimed at improving access to information on education and training and labor markets</i></p> <ul style="list-style-type: none"> • Labor market observatories, to provide relevant stakeholders with information that can inform their educational and labor market choices • Professional orientation in the school system and early in the school-to-work transition, to provide youth with information that can influence their educational and labor market choices
	<p><i>Improving information and networks to access jobs and improve schooling and labor market decision making</i></p> <ul style="list-style-type: none"> • Providing incentives to employers to hire new entrants into the labor market can help bridge some of the information and network gaps that make it more difficult for these groups to access their first job. This can be done through apprenticeships/internships schemes or well-targeted and designed short-term employment subsidies • Intermediation services to help improve job search and provide counseling and matching services, including improvements in public employment services and their relationship with private ones; job fairs, job shadowing and mentoring
Social norms	<p><i>Interventions to overcome and influence social norms</i></p> <ul style="list-style-type: none"> • Shifting aspirations and expectations through, for example: role models and mentoring; media interventions (e.g. soap operas, campaigns, radio), to expose people to information and role models; or by disseminating information on increased job opportunities for young women
	<ul style="list-style-type: none"> • Working within existing norms, but improving access to economic opportunities for all, through, for example, access to child care (quality and affordable). • Strengthening incentives and using behavioral insights to engage employers directly through novel instruments such as private sector gender certifications or revealing to employers their own biases when hiring or promoting by creating checklists for them to make sure they are not weighing beliefs over facts



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CHAPTER I

The Middle Class and Economic Mobility

People were frightened after the Soviet Union collapsed. There were no jobs. How could we live? And, now, people are obtaining land and taking a risk. They're starting farms. They're building houses. They're striving for a better future. They're educating their children.

—Man in rural area, Kazakhstan

Certain people come into a better financial situation almost by night, while some people do not have money even for the basic needs. Those are social differences that did not exist in the previous years. The middle class existed. Now you either have nothing or you have too much.

—Woman in Sarajevo, Bosnia and Herzegovina

The recent performance of Europe and Central Asia in growth, poverty reduction and shared prosperity has varied widely within and across countries. Using new qualitative data from nine countries in the region, this chapter explores whether and how people experienced changes in well-being, the factors that have supported or hindered economic mobility, and the ways in which these diverge among men and women. The findings suggest that access to good jobs and the ability to withstand shocks are critical to improving living standards, climbing the Ladder of Life and joining the middle class. However, welfare improvements are often out of reach, as informal institutions and social norms that exclude many mediate access to these opportunities.





Regional trends in growth, poverty reduction, and shared prosperity

The performance of the region in reducing poverty and boosting shared prosperity has been good . . .

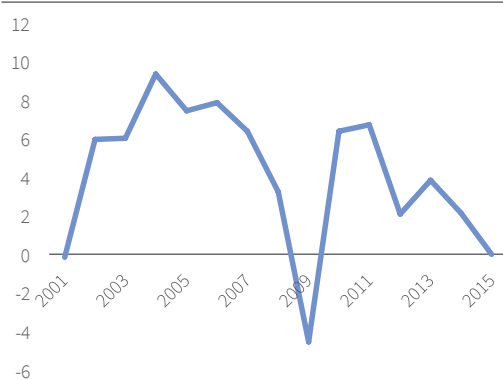
The Europe and Central Asia region experienced rapid economic growth in the first decade of the 2000s until the global economic crisis of 2008–09. Gross domestic product (GDP) grew by an average 6 percent a year from 2000 to 2008. Although the crisis affected the region severely, with an average economic contraction of 4.5 percent in 2009, the region rebounded quickly and continued to grow in the years that followed (figure 1.1a). Now, the region is once more facing hard economic times because of slow growth and emerging economic, political, and environmental vulnerabilities.

is, on less than USD 5 a day, in 2000. By 2013, the two poverty rates had declined to, respectively, 3.1 percent and 13.8 percent. While the 2008–09 crisis slowed the pace of poverty reduction, there was no lasting reversal in the positive trend. Moreover, quantitative data shows that the performance of most countries in the region in promoting shared prosperity was good; indeed, the bottom 40 percent of the welfare distribution (the bottom 40) experienced consumption and income growth, often faster than the national averages.⁸

Regional trends in poverty reduction and shared prosperity were underpinned by high upward economic mobility and falling inequality. Across many countries, a large share of households moved out of poverty and into the middle class especially until the crisis and, importantly, once out of poverty they tended not to fall back into it.⁹ Upward mobility in the majority of countries during the 2000s translated into a sizable

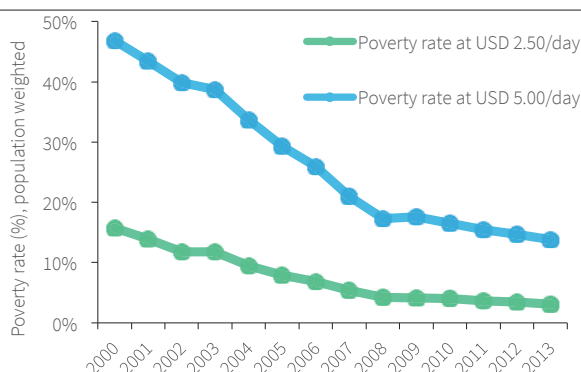
FIGURE 1.1 A The Region Experienced Rapid Growth until the Global Economic Crisis

Annual GDP growth, %



Source: World Development Indicators database, World Bank.

FIGURE 1.1 B Poverty Declined Quickly in the Region in 2000–13 | Extreme and moderate poverty rates in ECA

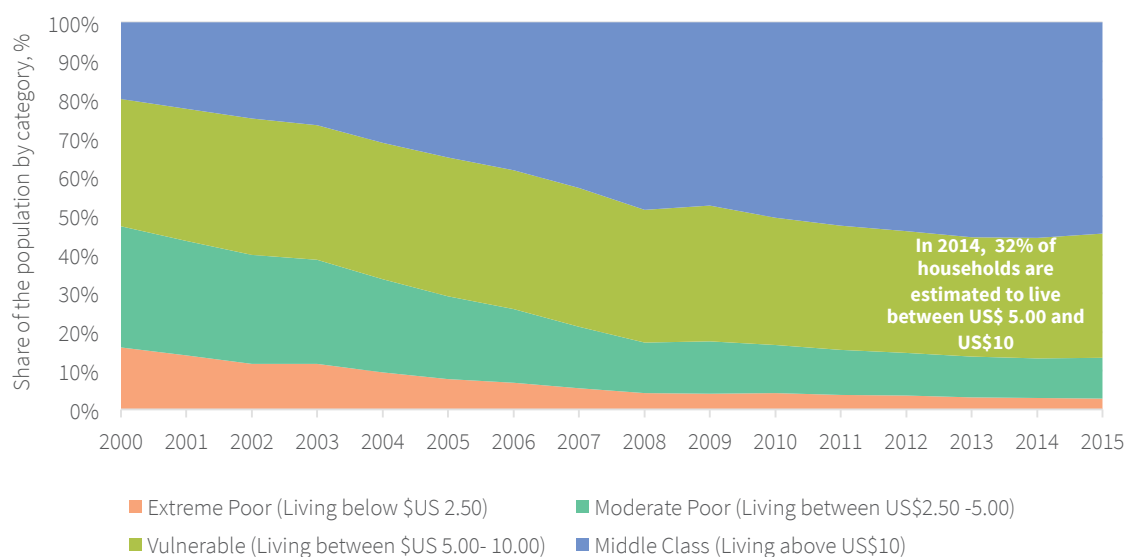


Source: World Bank's ECAPOV database.

This growth contributed to reducing poverty and boosting shared prosperity. The extreme poverty rate, measured using the regional extreme poverty line of USD 2.50 a day, was 15.8 percent in 2000 (figure 1.1b). Almost half the population in the region was living in moderate poverty, that

⁸ Data availability determines the period covered in each country. In most instances, it includes the years of the crisis. The growth rates are thus sensitive to the end year. The growth data are derived from household surveys and may therefore differ from national accounting data.

⁹ Cancho et al. (2015).

FIGURE 1.2 The Middle Class Expanded Significantly between 2000 and 2015*Share of the population with income/consumption levels within the regional thresholds*

Source: Calculations by the Europe and Central Asia Team for Statistical Development, World Bank, based on data and projections of the Survey of Living Conditions and household budget surveys.

expansion in the middle class in the region, measured as the share of people living on over USD 10 a day. Almost half the region's population in 2012 could be considered middle class, a rapid increase from the 17 percent only 10 years earlier (figure 1.2). Inequality, measured by the Gini coefficient, also declined in many countries (figure 1.3).

... but there are significant disconnects

Yet, in a number of cases, there is a disconnect between economic growth and changes in living standards, especially among the less well-off. Performance in economic growth, poverty reduction and shared prosperity varied significantly across the region. Resource-rich countries such as Azerbaijan and Kazakhstan enjoyed particularly rapid growth in GDP per capita in the 2000s. Others like Georgia, Kyrgyz Republic and Turkey, also enjoyed growth rates above the region's average of 4.7 percent in this period. In contrast, economic growth was below average in countries like Bulgaria, Estonia and Hungary, but was particularly low in Western Balkan countries (figure 1.4). In some cases, growth

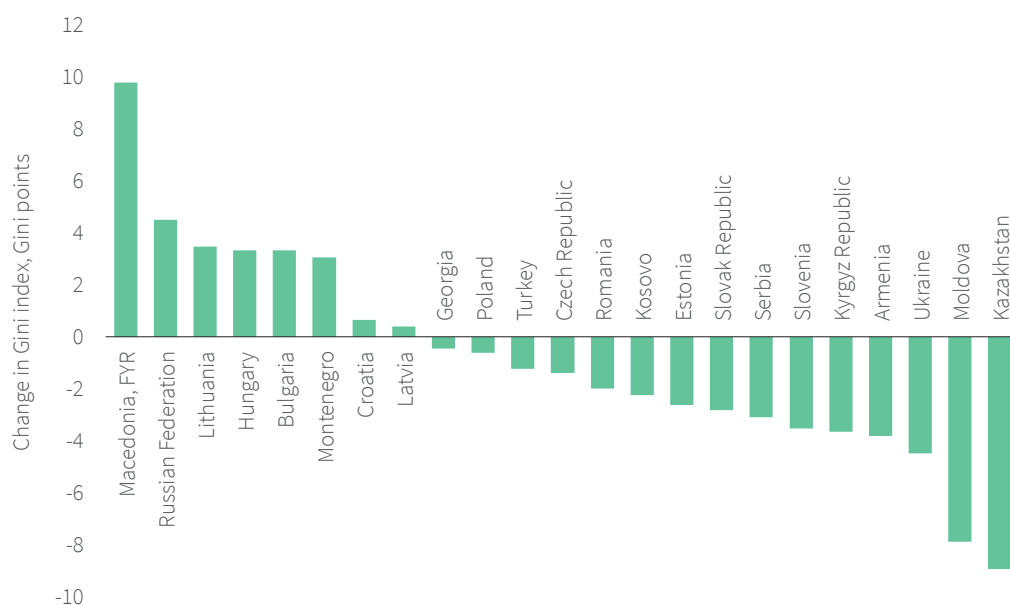
was particularly beneficial for the less well-off. In Moldova, for instance, consumption of the bottom 40 in this period grew almost three times as fast as that of the total population (figure 1.5). Yet, even when countries grew, there are examples in which this growth did not reach the poor and vulnerable; this is the case of FYR Macedonia in the period before the global economic crisis. And at times of economic downturn, the bottom 40 bore the brunt of the slowdown in many countries.

Beyond the potential disconnect between economic growth and shared prosperity indicators, there is an arguably larger disconnect in the region between performance measured by traditional economic indicators and people's perceptions of their welfare and economic mobility. Even in the periods of high economic growth, nearly half of the people in ECA perceived that they were worse off economically than in the past (figure 1.6).¹⁰

¹⁰ Cancho et al. (2015b), based on Life in Transition Survey.

FIGURE 1.3 Inequality Trends Show Great Heterogeneity across Countries, 2003–13

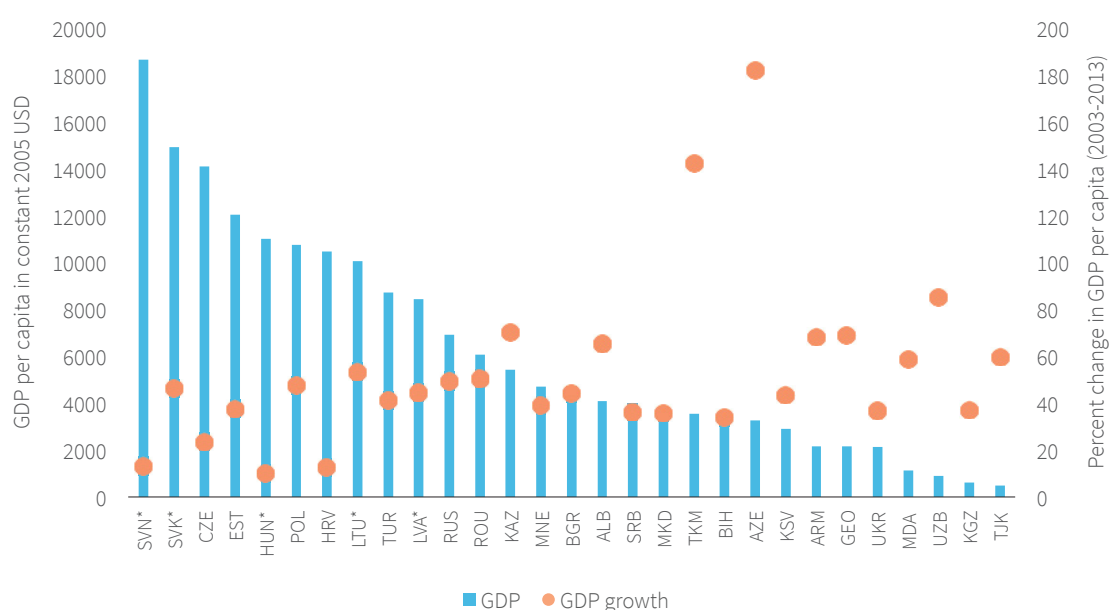
Change in Gini index, percentage points



Source: World Development Indicators database, World Bank.

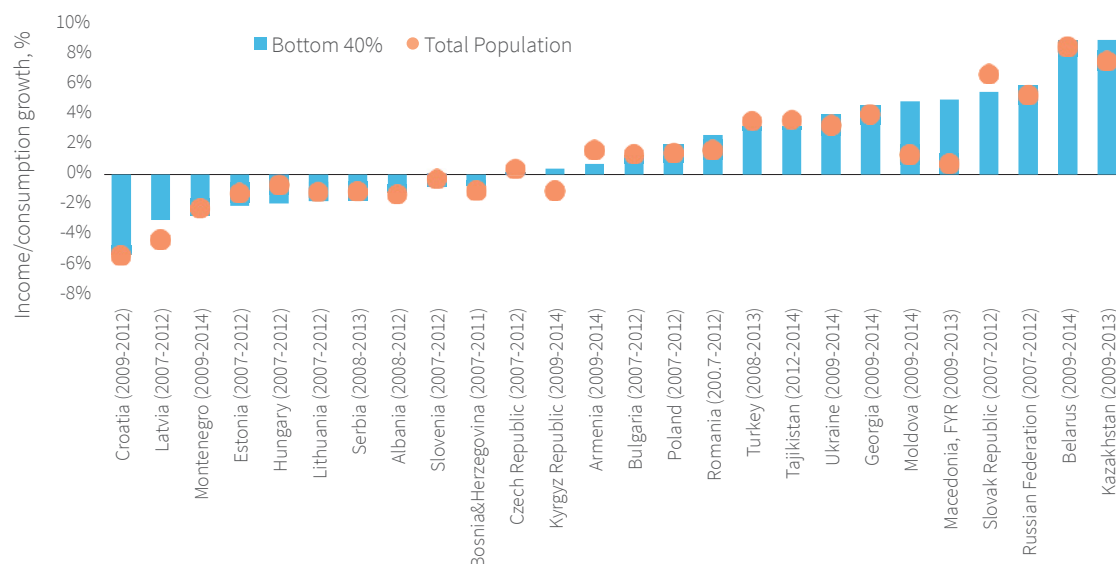
FIGURE 1.4 Economic Growth Varied Widely across Countries the Region, 2003–13

2013 GDP per capita in (constant 2005 USD) (bars, left axis) and growth rate 2003–2013 (dots, right axis)



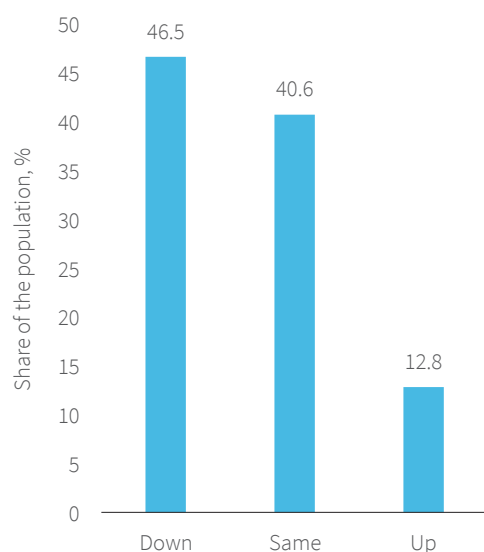
Note: * Data refer to 2012, the latest available year.

Source: World Development Indicators database, World Bank.

FIGURE 1.5 Performance in Shared Prosperity also Varied by Country*Average annualized per capita income /consumption growth of the population vs. bottom 40, PPP 2005 USD*

Source: Source: Europe and Central Asia Team for Statistical Development, World Bank, based on data and projections of the Survey of Living Conditions and household budget surveys.

Note: Data on the bottom 40 are population weighted.

FIGURE 1.6 Nearly Half of the People in ECA Countries Perceived that They Were Worse Off Economically than in the Past*Share of individuals in the ECA region reporting movements in living standards up, down or no changes (same)*

Source: Cancho et al. (2015b), based on Life in Transition Survey.

This is particularly striking in countries that have done relatively well in terms of both growth and shared prosperity, such as Georgia and countries in Central Asia, where in some cases two thirds of the population perceived that their economic situation had worsened significantly after the economic transition.

This chapter aims to understand, from the voices of communities across the region, whether and how the growth process is experienced on the ground, and the factors that help explain (i) the disconnect between economic growth and shared prosperity, and (ii) the disconnect between aggregate economic indicators and people's perceptions on welfare and mobility. Previous work has provided evidence for these disconnects in the context of the region.¹¹ This chapter builds on that liter-

¹¹ Cancho et al. (2015a), Cancho et al. (2015b), Bussolo and López-Calva (2014), Niehues (2014).

ature and explores in more depth, using qualitative data, the factors that have supported or hindered economic mobility and the expansion of the middle class, and the ways in which these diverge between men and women. It thus also complements related quantitative studies by offering insights into the transmission channels through which institutional and market changes affect households' well-being, and the interactions among the different mobility drivers.

This bottom-up understanding of mobility processes is extremely valuable. In fact, people's perceptions can shape behaviors¹² and thus affect the sustainability of growth, shared prosperity and poverty reduction. Ultimately, understanding how societies perceive well-being levels around them, and opportunities and challenges to upward mobility can offer useful insights for better-targeted policies.

Perceptions of progress toward poverty reduction and shared prosperity: the Ladder of Life

Jobs and assets that determine resilience to shocks shape the steps of the Ladder of Life

To understand people's perceptions about poverty and economic mobility, it is necessary to first define what welfare means across communities. The Ladder of Life exercise was carried out to get consensus views on community prosperity and people's perceptions of changes in well-being over the previous decade.¹³

¹² For example, Alesina and Angeletos (2005), Norton and Ariely (2011), Niehues (2014), Cruces, Perez-Truglia and Martin (2013) and Kuhn (2015) discuss how perceptions affect preferences for redistribution.

¹³ The Ladder of Life exercise used here was adapted from previous World Bank studies, most notably Narayan and Petchsch's *Moving out of Poverty*, 2005.

I drive people to the city.
I hear different views. Some
people say things are better,
and some say they are worse.
People who are employed
believe things are better.
There are people who want to
work, but cannot find a job.

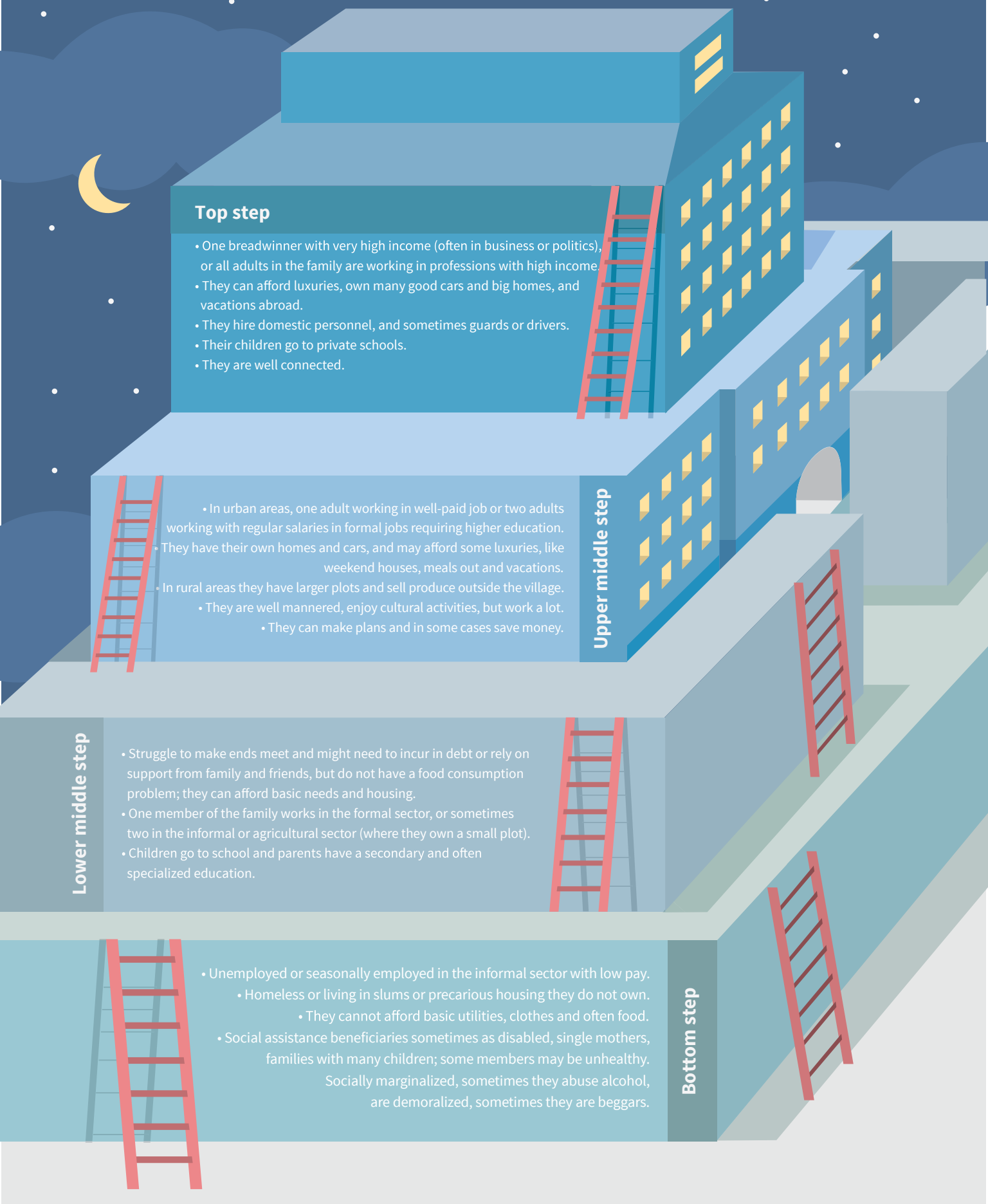
—Taxi driver in a rural village in Kazakhstan

Focus groups with employed men and women across communities were first asked to describe the characteristics of the least well off and the most well off in their communities. They were then asked to describe the steps on a ladder that, from the bottom to the top, would represent progressively more positive levels of well-being in the local community. Finally, each focus group was asked to indicate the steps on the ladder above which they believed households were no longer poor and, separately, the steps associated with middle-class status in the community.

The Ladders varied widely across communities, mirroring the different realities in each community and the different experiences of women and men. Some descriptions of the socioeconomic steps on the ladders were detailed. Two ladders constructed by women focus groups had seven steps. Other ladders were simpler, reflecting the reality of communities with more limited economic opportunities and more homogeneous economies. For example, less well-off rural communities are often less highly stratified socioeconomically, and this is reflected in ladders with fewer steps. Overall, ladders with four steps were the most frequent, and the average number of steps was 4.5. Figure 1.7 illustrates common features across the 86 ladders of life constructed by the focus groups.

FIGURE17 The Ladder of Life: Well-Being is Described in both Monetary and Non-monetary Terms

Typical characteristics of well-being steps of the Ladder of Life, based on analysis of focus group discussions



“Those at the top control many important aspects of society,” explains a Bosnian man. “Those at the top have connections and acquaintances; they control how the money flows.”

—Employed man in Sarajevo, Bosnia and Herzegovina

The socioeconomic stratification in the ladders largely mirror the categories typically used in quantitative analyses of economic mobility: the poor, the vulnerable, the middle class, and the rich. As in income-based mobility studies that posit a divide between the extreme poor and the moderate poor, focus group participants at times talked about two groups living in poverty, the rock-bottom poor, who were living in extreme misery, and the poor. As they go up, the steps in the ladders depict gradually less vulnerable population segments.

The characteristics associated with each step of the ladder illustrate the multidimensionality of household well-being. A prominent feature of each ladder is the description of the kinds of jobs and labor market situation that characterize each step. Men and women in the focus groups also talked about the quantity and quality of assets owned by households at each step, including physical assets (such as housing), human capital (education and health), and social capital (such as networks and connections). Women’s empowerment was also a factor that improved moving up the steps in the Ladder of Life. Finally, the vast majority of community ladders also reflect attitudes and behaviors associated with life at each step, as well as value judgments on people living at each step.

In the summer, when there is an opportunity to work, one feels rich, but, closer to winter, one has no idea to what category one belongs.

—Jobless woman in a village near Aktobe, Kazakhstan

People in the middle class have a normal life. [This means] they have money, but not to obtain more or to wish for more, but only to fulfill their obligations, to pay taxes, to pay the bills for electricity, garbage, water, all bills, and to pay to meet their needs as well and to send their children to school. In Kosovo, if you have such a life, it is good, but most important is to educate your children until they graduate. This is how I see an average life.

—Jobless woman in Ferizaj, Kosovo

Our entire village does not include one person on a high step of the ladder. Here, people are involved in cattle breeding and farming until the winter; then they sell their produce, buy wheat, and pay their bank bills.

—Employed man in a village in Qumsangir District, Tajikistan

The top steps of the ladders are occupied by the economic and political elites in each community.¹⁴ “Those at the top control many important aspects of society,” explains a Bosnian man. “Those at the top have connections and acquaintances; they control how the money flows.” The richest households live in large houses and may own additional property they rent or use for vacation. In rural settings, they own most of the land, which others cultivate on their behalf. Their lives are perceived as luxurious because they can afford multiple vacations each year, often in Western Europe, and modern cars, while educating their children in private schools. Women on this step often do not work, while the men are in positions of power and are able to rely on solid networks and connections to maintain and

¹⁴ This is also noted by Petesch and Demarchi (2015).

improve their economic well-being and social standing.

“They are in a position to do whatever they want,” some respondents observe. Many groups mention that households at the top are the ‘overnight bourgeoisie’ who profited during the transition years or perhaps from more recent political connections. There is a strong feeling of distrust among respondents toward this class and a sense that being at the top is often the reward for illegal activities. “These people are corrupt, close to the authorities,” said a man in Skopje, FYR Macedonia, who expressed the views of many. Yet, several people in various countries also reflected on the weaknesses associated with this class in their localities, especially if these people had become established at the top through illegal activities or as profiteers during the transition from the planned economy. Such individuals are described as losing sleep because they are so worried their wealth may disappear as quickly as it appeared if, for example, their political party should lose power.

The richest of us . . . are those who provided all their children with houses, educated them at the universities, and are happy with their grandchildren.

—Man in Khujand, Tajikistan

The upper-middle step typically includes the households of professionals, successful small-business owners, or farmers with relatively large plots. These households tend to have stable incomes earned, in the majority of cases, by several household members.

“That’s the level at which at least two members of the family are employed; they have social and health insurance,” agree men in an urban community of Bosnia and Herzegovina. “They can accomplish something in life.” People associate this stability with a more confident outlook on the future and less vulnerability. Women and men are likely to be engaged in similar professions, often requiring some higher education. Though

they might have bank debts, for example, mortgages on their comfortable homes, these households are typically considered to be able to save at least a little money and to be able to afford to spend on more than basic needs. They go on annual holidays, socialize at cafés and restaurants, and pay for their children’s extracurricular activities, especially in urban areas, all in moderation. A large number of respondents described this group as the most educated, and some emphasized the honesty of people on this step.

The lower-middle step (or steps) includes households with progressively diminishing incomes, but in which at least one member has a relatively stable job. Some live paycheck to paycheck, often in low-paying public sector jobs. Overall, they can take care of needs and pay the bills, but cannot afford much more. They often rely on pensions or remittances for additional income to help them get by.

“They can afford the necessities, but maybe not a vacation,” explained a woman in FYR Macedonia. “They have a car, but drive it rarely; they are able to get by on account of the retired members of the family, and they live with the extended family.” Depending on the community’s economy, this step may include the households of informal sector workers that have relatively stable incomes and households that can barely make ends meet. The jobs and economic activities of women and men on this step tend to vary more by gender than jobs and activities at higher socioeconomic steps. The women, for example, may be nurses or hairdressers, while the men may work in construction or in factories. People on this step may also have good or, at least, adequate housing that is generally rented rather than owned. They educate their children and may be able to take short summer holidays within the country. Households at these steps are perceived to live honestly and work hard.

“We are not jealous of each other,” said a man in Kosovo, echoing others across the sample.

“We work hard to achieve something, and the people in this class are modest.” Nonetheless, these households are always at risk of being unable to meet unexpected expenses.

Each day, they have pasta and chicken on the dinner table. It’s cheap, but healthy food. The housewife somehow finds the food. And, today, the husband brought money home, but, tomorrow, he may not.

—Man in Shymkent, Kazakhstan

The families have economic problems, but manage. The majority get help from migrants.

—Man in Tbilisi, Georgia

The bottom step is often occupied by households living in poverty and unable to afford even basic needs; these households barely survive. In most communities, they are described as the poor and as survivors. In some cases, they are divided into several economic strata, depending, for example, on whether they have a well-built home, receive social assistance, work seasonally or at extremely low pay, or manage to provide food for their families.

“These are the people who worked for companies that have gone bankrupt,” said a woman in a town in central Serbia. “Now, they do informal jobs for miserable wages.” Almost half of the focus group respondents who participated in building their community ladders, identified the bottom step with households that are receiving social assistance transfers or remittances or that are desperate to find a way to survive.

“They are surviving by receiving benefits and looking after livestock,” said a man in a rural area of the Kyrgyz Republic. “They sell milk and, in summer, hay.” Other individuals on this step may be widows, single mothers, the disabled, and the homeless. As a cause or a consequence of their economic destitution, women and men on the bottom step are described as weak and unhealthy by almost a third of the employed re-

We try to be middle class,
but lack a great deal to
be really in the middle class.
If you look at our families,
we are poor in reality.

—Working man in Tbilisi, Georgia

spondents in focus groups, and it is not uncommon for them to have problems with alcohol and to engage in other risky behavior, according to a small number of respondents. Some households on the bottom step may be living in slums in debased circumstances, and the children in these households, instead of attending school, may be doing farm work, washing car windows, or performing other low-paid tasks to pay for food.

He gets his bread from the municipality. He doesn’t have a monthly income. He doesn’t have a house.

—Employed man in Ankara, Turkey

They are immediately noticeable. They walk around in dirty clothes. They rummage through garbage cans and recycle plastic bottles to earn money. They’re struggling to survive. They have no support, no electricity, and are still living by candlelight.

—Roma woman, FYR Macedonia

Most aspire to become or remain in the middle class

Men and women in the region aspire to be or remain in the middle class, and yet, many see this as elusive. In countries where the economies were growing in the mid-2000s but progress in shared prosperity was weak, particularly in recent years, the middle class is perceived to have lost ground and to have become poorer. Yet, households in the relatively impoverished segments of these societies are still striving to

be included in the middle class. This is the majority perspective in Bosnia and Herzegovina, FYR Macedonia, and Serbia. Here, there are frequent disagreements between focus group participants, and the distinction between poverty and middle class steps is often blurred. However, even people in communities and countries at relatively lower levels of economic development (such as Georgia, Kyrgyz Republic and Tajikistan), but that have become more prosperous over the last decade, display a similar ambition to be counted among the middle class.

We [in the middle class] are considered poor by wealthy people. People who are poor, in our opinion, also have ambition and do not consider themselves poor.

—Jobless man in Aktobe, Kazakhstan

We try to be middle class, but lack a great deal to be really in the middle class. If you look at our families, we are poor in reality.

—Working man in Tbilisi, Georgia

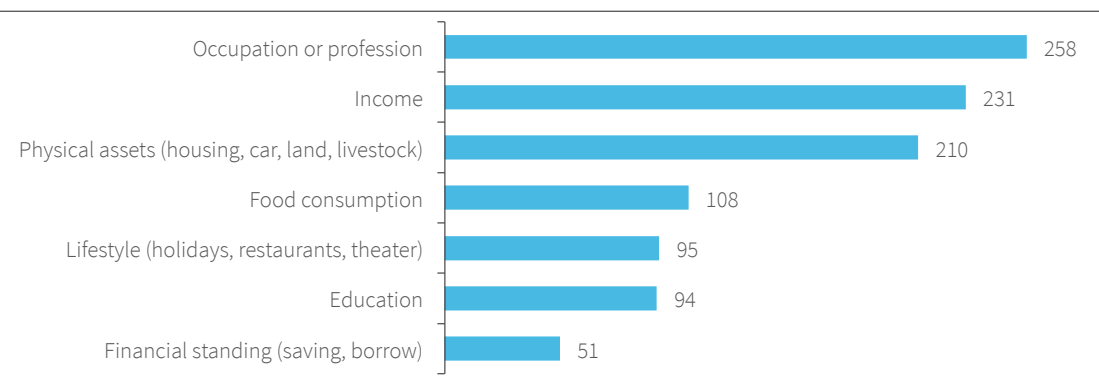
Most communities propose a definition of the middle class that encompasses a large share of their members. Because no one wishes to be excluded, especially in localities that used to be more prosperous, respondents feel they still de-

serve middle-class status, and the definition of middle class is almost synonymous with a “working class”, which is sometimes explicitly mentioned in this context. The middle class “can pay their bills, educate their children, and has enough money for a vacation once a year,” explained a jobless woman in urban FYR Macedonia.

Employment and earnings are, not surprisingly, central to the definition of the middle class (figure 1.8). In response to questions about the nature of the middle class, people mentioned a regular salary, two incomes in a family of four, or enough money to pay for utilities. Mentions of types of jobs and employment status were as frequent as statements on incomes and wages. Being part of the middle class “means to be employed and to be able to meet your needs,” said a jobless woman in a village near Pristina, Kosovo. “I think you’re lower class if you don’t have a job and therefore can’t think about anything else.” In some cases, merely having a job is considered sufficient to provide the income and consumption associated with the middle class. Other respondents viewed certain occupations as cues of middle-class status, sometimes regardless of income. Medicine, education, and architecture were mentioned as middle-class professions.

FIGURE 1.8 Jobs, Assets, and Lifestyle Define the Middle Class

Frequency of responses to the question “What comes to mind when you think of the term “middle class”? What does it mean to be in the middle class?”



Source: Compiled from responses during 172 focus groups with employed and jobless adult men and women.

Note: Categories are not mutually exclusive, and the same response may include mentions of two or more categories.

I hope to move into the upper class... My daughter is going to start working and earning wages. My husband will retire and receive a pension. I can find a part-time job now that my kids are finishing school. There should be two or three wage earners in the household before one can move into the class above the middle class.

—Jobless woman, Istanbul

In parallel, in rural areas, owning productive assets is critical for belonging to the middle class. “They must have at least two or three cows,” said a jobless woman in a Georgian village about the middle class, highlighting the particular characteristics of the rural middle class.

“In the village, they have one or two chickens,” said a woman in a rural area in Kazakhstan referring to middle-class families. “They have a cow; they have milk and yogurt; and they make their own butter.” In other cases, the middle class is defined by ownership of irrigated land, a tractor, or earnings from the ownership of land, as many rural respondents in Tajikistan explained.

There is a widely shared view that the middle class is able to pay for basic expenditure items, such as food, clothing, children’s education, and utility bills.

Extra comforts are also possible, though always in moderation. Owning a car (“but not too big”) and an apartment are often said to be typical of the middle class. In Central Asia, people mention washing machines and other appliances as clear signs of middle-class status. In Tajikistan and some communities in Georgia, people argue that a diversified diet and eating meat several times a week puts families into the middle class. Going out for coffee or a meal once or twice a month or taking a holiday (“but not too far”) appears to distinguish the middle class from

the poor. Meanwhile, the rich can travel abroad (“without bringing their own food along”).

Reinforcing the view that the middle class is more than a purely monetary concept is the frequent reference to the middle class as a group that is more highly educated and more socially active. “The middle class is a bit more social,” stated a woman in Istanbul. Social engagements, participation in cultural activities, visiting friends, and being able to bring them

presents (a traditional practice in Georgia) are all reported as middle-class pastimes. Most focus group respondents also identified a good education as a defining element of the middle class. “Those who are educated and whose children are educated as well,” answered a woman in a rural area in Tajikistan when asked about the nature of the middle class. “People who have knowledge.” Certain behaviors and attitudes are viewed as positive middle-class traits. People across the region spoke of the middle class in terms of honesty, dignity, and acting and spending rationally.

“People who belong to the middle class should not be under constant stress that they might lose their jobs.”

—Jobless man in urban community, Serbia

The voices of the region also revealed views that reflected local conditions and social norms. For example, in relatively less well-off communities characterized by high fertility and large families, smaller households are often immediately identified as middle class. In some Kosovar, Roma, and Tajik

communities, a common perspective is that middle class means having fewer children because, if you have too many children, you are seen as poor. In a Roma community in FYR Macedonia, echoing other women across the region, a woman explained that she became middle class after her daughter left the household.

Other perceived characteristic of the middle class are stability and security. For most, mem-

“Now, it has improved; people are buying flour. Before we had problems about what to serve our guests if someone came to visit; now, it is easy, and people are celebrating some event or other almost every day.”

—Working man in Tbilisi, Georgia

bership in the middle class means being resilient for the foreseeable future. “Having confidence in today and tomorrow,” is the meaning of the middle class for a jobless man in Bishkek, Kyrgyz Republic. “Speaking in general, having stability in everything.” “They sleep well at night,” said an employed woman in Bosnia and Herzegovina.

Job security, regular pay, and regular working hours were thus considered essential to middle-class status. “Those who work from 8 am to 5 pm and receive a monthly salary,” responded an unemployed man in Istanbul, for example, when asked who belongs to the middle class. In the eyes of many, public sector jobs offer the best chance of fulfilling these criteria. Permanent contracts, formal sector jobs, and guaranteed salary are considered as possible, almost exclusively if the state is the employer. The security of an income flow also depends on the number of employed adults in the household. Except in Turkey and relatively more traditional communities in FYR Macedonia and Central Asia, a large share of the respondents highlighted the need for both the parents in a household to work before the household could be considered middle class. To be middle class, “it’s assumed that both parents are working and that they have enough money to educate the children,” said a jobless woman in an urban area in central Serbia. “I don’t think the middle class exists here.

I don’t know of a couple who both work.” This precondition for middle-class status is a key element in the resilience of households. A few men and women in the sample also point to the ability of middle-class households “to save for a rainy day.”

“People who belong to the middle class should not be under constant stress that they might lose their jobs.”

—Jobless man in urban community, Serbia

However, the middle class is not considered above all risks. Health expenditures, for example, are seen by a sizable share of respondents as a tangible risk among middle-class households. “If a surgery is needed, then the middle class will not be able to afford it,” explained a working man in Pristina, Kosovo. Similar statements are common in Georgia. “In the case of serious health problems, even they will not be able to afford treatment,” said a jobless woman in rural Georgia. References to vulnerability, to adverse economic shocks and other difficult circumstances among the middle class are not unusual and are especially frequent in communities with a poor economic and employment outlook. The middle class today “cannot make plans, cannot think about the future,” said a jobless man in Bosnia and Herzegovina.

Many feel left behind, and perceive inequality to be increasing and the middle class disappearing

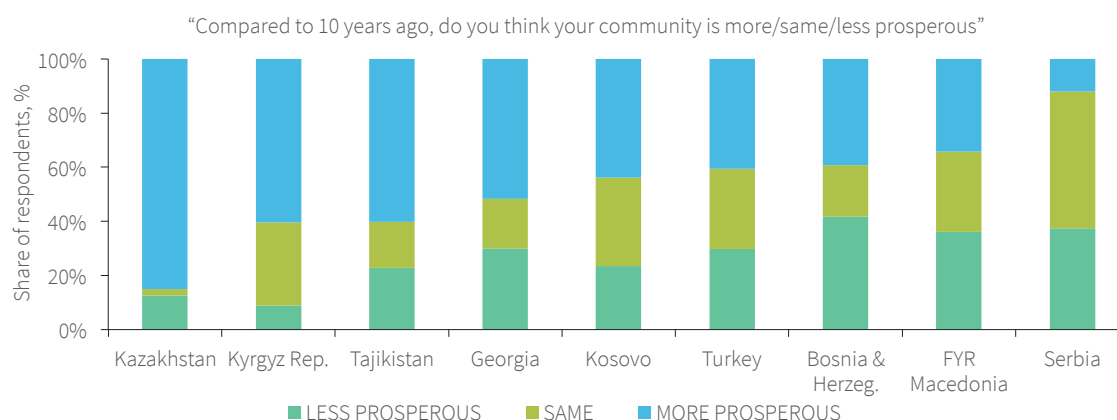
Many feel excluded from the benefits of growth. While around half of employed men and women report that the well-being of their communities has improved in the past decade, around one in four perceive, in contrast, a worsening trend.¹⁵

¹⁵ Based on focus groups discussions with employed participants who were asked whether their community was less prosperous, the same, or more prosperous in 2013 than in 2003. Note that this data was not collected among the jobless, and likely, therefore, has a positive bias.

Georgia
Photo© Yuri Mechitov/World Bank





FIGURE 1.9 Perceived Prosperity Improved More where Prosperity was Shared, 2013*Perceived change in community prosperity between 2003 and 2013, by country, % respondents*

Source: 86 focus group discussions with adult men and women.

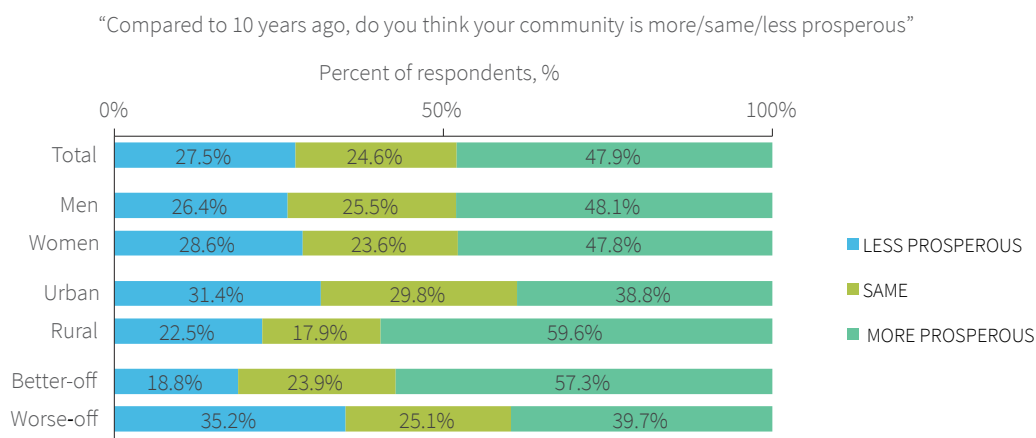
In countries where prosperity was shared according to quantitative surveys, people perceive greater improvements in living standards in their communities. In Kazakhstan, the Kyrgyz Republic, and Tajikistan, advances in well-being are reflected most substantially in the views of the population. Thus, 60 percent of the respondents in the Kyrgyz Republic and in Tajikistan reported that the well-being of their communities had been enhanced, while, in Kazakhstan, the share reached 85 percent (figure 1.9). The narratives from open-ended discussions largely confirm these findings, albeit describing the extent of changes as more moderate.

From relatively lower standards of living, particularly in rural areas, progress was rapid and visible among both women and men. “Everyone has a washing machine now,” rejoiced a woman in urban Kyrgyz Republic. “Earlier, people grew wheat, and life was hard,” said a man in rural Tajikistan who was also pleased. “Now, it has improved; people are buying flour. Before we had problems about what to serve our guests if someone came to visit; now, it is easy, and people are celebrating some event or other almost every day.”

Similarly, men and women in Georgia, Kosovo, and Turkey consider the current situation

in their communities more favorable than the situation ten years earlier, although the results are more mixed in these countries, with greater contrast between quantitative trends and people’s views. This disconnect between the macro trends and the situation on the ground is expressed by many, like this employed woman in Tbilisi: “The food is better available, infrastructure is organized. The only important thing is to have money, but unemployment is high. I have three children and they are all unemployed.”

In contrast, in Western Balkans countries that have struggled to rekindle growth and strengthen labor markets, namely, Bosnia and Herzegovina, FYR Macedonia, and Serbia, people describe increasing hardship and declining community prosperity. Only 12 percent of Serbian respondents talk about rising prosperity in their communities over the last decade, while 50 percent believe the situation has stayed the same (see figure 1.9). The largest share of respondents who felt there had been a decline in community prosperity was in Bosnia and Herzegovina, at 42 percent. Economic crisis, unemployment, weak economic policies, and the neglect of the public space and of services are typically blamed for this outcome.

FIGURE 1.10 Well-Being Is Perceived to Have Improved the Most in Rural Communities*Perceived change in community prosperity between 2003 and 2013, by subgroup, % respondents*

Source: Data from 86 focus group discussions among employed men and women.

“Everything was getting better, and our motivation was growing. There were more job offers then, but, over the last few years, everything has stopped.”

—Woman in central Serbia

Across countries, rural communities perceive greater improvements in living standards than urban communities (figure 1.10).

Rural populations report they have benefited from welfare advances over 2003–13 relatively more often than urban residents, whose views on changes in well-being are mixed. Almost 60 percent of rural respondents considered the local situation better in 2013 than in 2003, compared with 39 percent of urban respondents. Rural dwellers tend to focus on other material gains generated among communities through improved infrastructure, expanded access to education, or remittances. The differences between the perceptions of men and women are small.

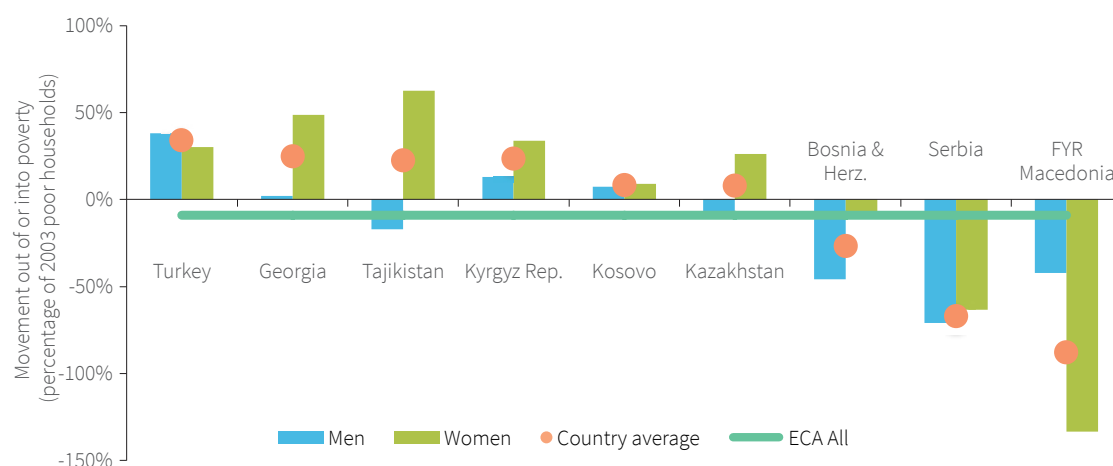
In line with community trends, many people across the region reported experiences of poverty reduction and upward economic mobility. Among 86 focus groups with employed men and women, 41 believed that poverty had

declined in their communities.¹⁶ An additional 12 saw no change in poverty incidence. Taken together, these represent a slight majority of the Ladders of Life built through the survey. However, as a result of the large well-being losses reported by Western Balkan communities, the size of the perceived poverty change regionally is slightly negative –indicating an increase in poverty over the sample (figure 1.11 and Box 1.1).

In communities undergoing sustained growth across Central Asia, Georgia, Kosovo, and Turkey, men and women related to experiences of upward mobility. In these countries, on average, 20 percent of poor households are perceived to have escaped poverty in the past decade.

“It is possible,” said a man in central Istanbul who declared that economic mobility was relatively easy in his community. “There are construction projects; new houses are being built; there are people moving up in this way.”

¹⁶ Note that these data are based on focus group participants’ subjective definition of poor households, defined during the Ladder of Life exercise carried out with employed men and women only. Definitions of poverty thus vary across countries and communities.

FIGURE 1.11 Poverty is Perceived to Have Fallen in Most Countries*Change in perceived poverty rate (2003-2013), by country and sex*

Source: Moving out of Poverty Index (see Box 1.1 below), compiled from responses from 86 focus group discussions among employed men and women. **Note:** Negative results indicate increase in poverty.

BOX 1.1 Perceptions of Economic Mobility: the Moving out of Poverty Index

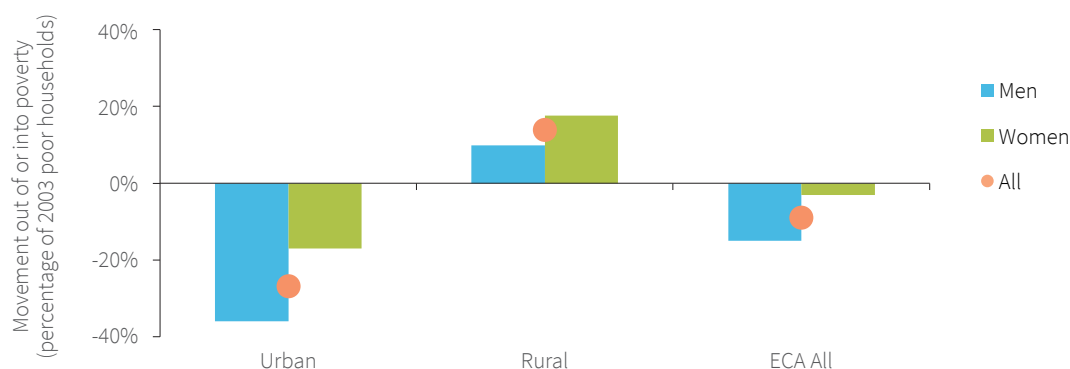
The perceived rate of poverty reduction was calculated within each community and focus group by using the Ladder of Life described above. After identifying the step that represented the threshold between the poor and the middle class, focus group members were asked to distribute 100 households among the steps to determine the share of households in the community belonging to each step in 2013. The same procedure was applied to represent the perceived situation in 2003. The change in subjective poverty rates was then calculated to generate a Moving Out of Poverty (MOP) index in each country and for the region, as follows:

$$\text{MOP} = (\text{initial poor} - \text{poor now}) / \text{initial poor}$$

The MOP index, which has been used in a series of global World Bank qualitative studies,¹⁷ helps describe the perceived poverty trends in the region over the decade. So, for instance, an MOP index of 0.5 (or 50 percent) would indicate that the share of poor households fell by half in 2003–13. A negative MOP of –1 would show that the share of poor households was two times higher in 2013 than in 2003 (a 100 percent rise in poverty).

It is important to note that poverty rates are defined subjectively and are different in each community and in each focus group.

¹⁷ Narayan and Petesch (2005) and Petesch and Demarchi (2015).

FIGURE 1.12 Urban Populations Drive the Negative Perceptions of Increases in Poverty*Change in perceived poverty rate (2003-2013), regional average and rural/urban*

Source: Moving out of Poverty Index, compiled from responses during 86 focus group discussions among employed men and women.

“Ninety percent moved up from the bottom to the middle class,” said another. A sizable number of women, especially in rural communities, indicated that, although difficult, moving up is not impossible, provided the circumstances are good, and the attitude is positive.

“It is easy for hardworking people,” agreed women in rural areas in the Kyrgyz Republic. In rural Tajikistan, a woman who was not working at the time of the survey echoed other focus group members in asserting that many people in her village managed to move up, though with some difficulty.

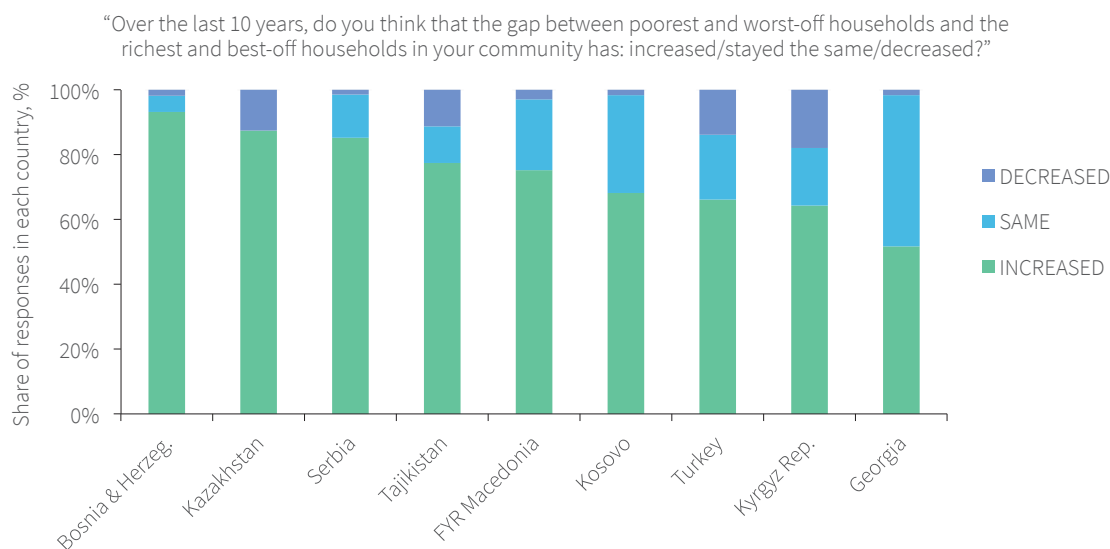
“Some know that our family has been poorer,” she said. “When we started to work and our children went to work in Russia, then life became better. We climbed into the middle class.”

People in countries with slower economic growth and less progress in shared prosperity, often felt that the incidence of poverty was rising. Respondents in Bosnia and Herzegovina, FYR Macedonia and Serbia, who typically lamented a stagnation or decline in community well-being, also reported a large share of households falling into poverty (see figure 1.11). People in these countries often also provided a broader definition of poor households, which accounted for several steps of their ladders of life. These

countries also had the grimmest views on mobility and the growth of the middle class; only a handful of communities saw any progress. Worsening infrastructure and public services, and lack of jobs are perceived to be behind these negative experiences of mobility.

In general, urban and male respondents appear to be driving the negative perceptions of poverty outcomes. Urban men report the bleakest experiences during the decade. Rural communities and women usually propose a more positive view of progress in poverty reduction (figure 1.12). Advances perceived by these latter groups, which are typically less empowered and less well off, contrasts with the perceptions of urban dwellers and men. Largely different definitions of poverty adopted by focus groups, and the different exposure of men and women to daily economic life likely drive these perceptions. Half of women and rural residents offer examples of movement into the middle class, although the positive change is often small. Meanwhile, the majority of the focus groups among men perceive a decline in the share of the middle class in communities.¹⁸

¹⁸ These results are based on differences between the 2003 and 2013 shares that the focus groups assigned to the middle-class steps on the Ladders of Life. Of 86 ladders among

FIGURE 1.13 Across Countries, Inequality Is Perceived to Be Widening*Perceived change in gap between poorest and richest in own community, by country, % of employed adult respondents*

Source: Compiled from responses during 86 focus group discussions among employed men and women.

Although respondents in many communities have noticed progress, perceptions of the positive results are more muted and nuanced than the evidence of traditional quantitative measures suggests. Even in parts of the region with an expanding middle class, such as the countries of Central Asia, Turkey, and, to a lesser extent, Georgia and Kosovo, a substantial share of women and men worry about the limits to upward mobility and entry into the middle class. These messages emerging from the open-ended discussions within focus groups are in line with available surveys on subjective well-being. As previously mentioned, in the Life in Transition Survey (LiTS), a large share of people in the region reported they were less well off even in the peak growth year of 2006 than

during the last pre-transition years. The negative perceptions were more pronounced in the Western Balkans even prior to the global economic crisis.¹⁹

Whether community prosperity is considered to be rising, stagnating, or declining, inequality is perceived to be widening among all groups and in all countries. The vast majority of participants across all communities repeat that “the poor are getting poorer, while the rich are getting richer”. This is so especially in communities facing an economic slowdown or decline, such as large parts of the Western Balkans, but urban communities across all countries echo some of these concerns (figure 1.13). In many of the communities, men and women talk of the decreasing purchasing power experienced by the least well off workers and even the middle class during the decade. They believe wages are sluggish or falling and the sources of household income are drying up because of job losses, while the

focus groups of working men and women, 39 (21 among women; 18 among men) displayed expansions in the shares of middle-class households, 32 narrowing shares (13 among women; 19 among men), and 15 no change (6 among women; 9 among men). Of 50 urban Ladders of Life, 23 portray a decline in the share of middle-class households, 21 an increase, and 6 no change. Of 35 rural Ladders of Life, 18 show an increase, 9 a decrease, and 9 no change.

¹⁹ Cancho et al. (2015b).

prices of basic necessities are rising or staying the same. “Someone from the bottom class will work for someone from top class for a lot less money than they would have done 10 years ago”, explains a rural woman in Bosnia. The general feeling is that wealth is expanding at the top, where rich businessmen are viewed as able to rely on a stronger social and financial asset base and benefit disproportionately from the way labor markets are functioning.

In my opinion, the difference has increased, because the rich have better chances to develop; their financial situation allows them to develop. The poor, on the other hand, have fewer resources for development; so, the speed and the quality of their development are different.

—*Man in a village near Batumi, Georgia*

Men and women across the region describe societies that are greatly polarized. The prevailing view among women and men in the region is that the gap between the most well off and the least well off widened in 2003–13 so that many are feeling left behind. Advances in living standards at the lower end of the distribution are matched by greater or more rapid gains at the top, which affects overall perceptions of the dynamics of economic mobility. Thus, although people at the bottom of the distribution are moving up in some countries, the fact that others are moving up more quickly – even from a similar starting point – influences perceptions.²⁰ Progress in narrowing inequality, therefore, seems relatively modest or nonexistent.

“Those at the top, the rich ones, stay as they are, but those below are drastically different, and we’re going downhill,” was the particularly telling comment of a man in FYR Macedonia. “And, while we sink, those at the top go even higher.”

²⁰ This is in line with Hirschman, Albert and Michael Rothschild (1973).

“Poor people have no foundation, it is hard for children to get on their feet if their parents have not accumulated money.”

—*Woman in urban area, Kyrgyz Republic*

Across countries, people are voicing frustration about progress and the sustainability of the gains that have been achieved. People at the lower end of the distribution complain about the unequal opportunities in society and the more limited chances to succeed in economic life and entrepreneurship. This tension results in perceptions of a relative loss in well-being and could affect expectations and behavior and threaten social cohesion. People refer mostly to unequal opportunities to participate in economic life because of shortages in human, financial, and social capital. If gender, ethnicity, geography, and parental income and educational attainment can curb a child’s potential from the beginning of life, they will likely perpetuate poverty across generations and restrict economic mobility.

“Poor people have no foundation,” explains an urban Kyrgyz woman. “It is hard for children to get on their feet if their parents have not accumulated money.” Savings and initial capital yield returns and opportunities for business development among the rich, while loans are difficult to obtain and repay among the poor.

“Over the last 10 years, we have only done worse,” said an urban dweller in Bosnia and Herzegovina. “We took out loans and became poorer, while those at the top started getting richer thanks to our interest rates and taxes.”

If someone has some property or money today, it is from previous generations. Nowadays, a poor person cannot afford even a 100-meter row in a vineyard.

—Rural resident in Georgia

Inequality of opportunity, which translates into a widening gap between the top and the bottom of the welfare distribution, is viewed as a self-perpetuating reality because of the control over power and networks and the corruption at the top. People voice great frustration with the levels of corruption and nepotism in their communities.

“[Those at the top] have money; they can afford everything,” said one focus group participant. “They have more opportunities. And where did this money come from? It’s from corruption!”

“They control many important segments in society,” said a man in Sarajevo about those at the top. “They have connections and acquaintances, and they are better connected. They control how the money flows.” Especially in urban settings, men and women lament that these advantages give the better off a head start in finding and keeping jobs or establishing successful businesses. Labor markets are therefore considered rigged.

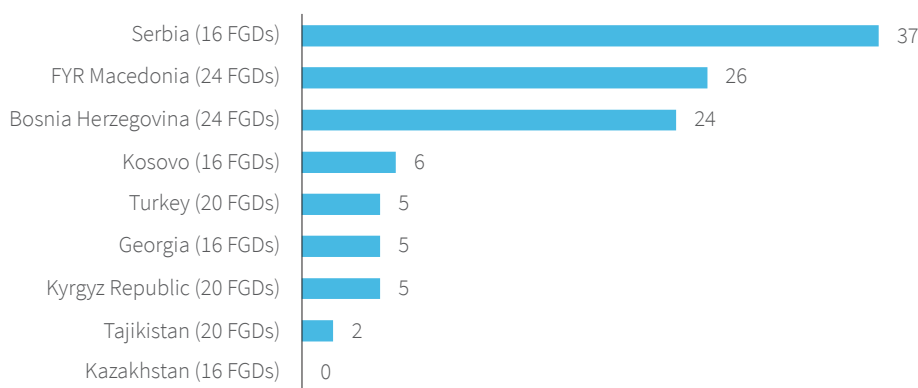
Furthermore, people feel an eroding sense of stability and security and, therefore, a feeling of vulnerability and risk, particularly in the middle class. As previously discussed, many men and women, especially in communities reporting shrinking prosperity and mobility, point to the vulnerability and even impoverishment of the middle class.

“Maybe there is a middle class, but they are much poorer than they used to be,” said a working man in Serbia. “The middle class probably still exists, but they are financially in a much worse position. These are people who are living below any normal criteria [of the middle class].”

The middle class is considered to be shrinking. Worries about polarization and vulnerability are affecting people across the region regardless of the performance of their countries in growth and mobility. References to a vanishing middle class or a middle class that does not exist anymore are especially frequent in Western Balkan countries with high unemployment and sluggish economies, although they are common in narratives across all countries (figure 1.14). This includes communities in countries that grew economically over the decade, but in which the advance has slowed since the

FIGURE 1.14 The Middle Class Is Considered to Be Losing Ground, Especially in the Western Balkans

Frequency of mention of the following or similar statements in adult focus groups discussions “The middle class is disappearing”; “The middle class does not exist anymore”, by country.



Source: Compiled from responses during 172 focus group discussions among employed and jobless men and women.

financial crisis in 2008–09. People’s accounts, especially in communities that have registered declines in prosperity, reveal significant frustration with the current economic situation. Men and women refer to a middle class that is radically different from the middle class of the past. Their descriptions point to a middle class that is more vulnerable.

Many benchmark their current circumstances with the situation during the socialist period. Women and men tend to reflect not only on their position relative to other groups along the welfare distribution in their communities, but also to the position of their families pre-transition.

“The middle class was the working class 30 years ago when we were kids..., [when] we could afford to buy a car and build a house,” said a woman in FYR Macedonia who, like many other focus group participants in her country, was looking back with nostalgia.

Middle class is what our parents used to be. They had two decent incomes, enough for summer and winter holidays, and no debts. That doesn’t mean they had a stress-free, cozy lifestyle, but they could meet all their needs.

—Urban resident in Serbia

Drivers and barriers in improving living standards

Men and women discussed extensively the complex dynamics driving economic mobility in their communities and countries. At the community level, infrastructure investments and better access to services, together with improved overall economic conditions, are perceived to drive prosperity (Box 1.2). These factors interact with additional individual and household-level drivers, related to access to more and better jobs, education, asset accumulation, resilience to shocks, and social and gender norms.

BOX 1.2 What Drives Welfare Changes at the Community Level?

Greater community prosperity is associated most closely with improvements in infrastructure and service delivery. About 40 percent of the focus groups among men and 30 percent of the focus groups among women mentioned the construction of roads, water systems, sewerage systems, or other public infrastructure (including schools) to demonstrate enhancements in community prosperity.

“There were many projects; the sewerage system was improved,” said an employed woman in Bosnia and Herzegovina. “There was then immediately less disease, and the streets were paved; there is no more mud.”

“New schools and hospitals are being opened, and the roads have been repaired,” said an employed man in Tajikistan. Almost as frequently, men and women talked about improved services. “The bus now comes every 20 minutes,” explained a woman in a village in Kosovo.

“They don’t switch off the electricity, water, and gas as they used to do,” comments a woman in urban Kazakhstan, who now enjoys more reliable utility services than in the past.

Even small advances in basic infrastructure, services, and utilities in rural and otherwise remote communities that were previously not served are making a big

difference. Rural communities have unique and more basic needs and expectations. While urban communities often require renovations of public buildings or new street lighting, rural communities are much more likely to lack basic public infrastructure and services such as water pipes, sewerage systems, roads, schools or bus transport to the closest town, that could help boost local prosperity.

Meanwhile, deteriorating infrastructure indicates a decline in community prosperity in the eyes of most respondents. “There is no money to fix old things or for new investment,” said a man in central Serbia.

Men were more likely to note improvements in communication and information services.

“Ten years ago, it was difficult to obtain information,” said a man in a rural community in the Kyrgyz Republic to explain the views of members of his community on greater prosperity. “Now, the exchange of information has intensified. In kindergarten, at school, children use cellphones, the Internet; they have a lot of information... The difference is huge.”

Enhanced labor market opportunities and higher earnings are also reported by respondents as key reasons for greater community prosperity. While almost as many women’s focus groups saw the value of “more jobs”, “new factories” or “more opportunities to earn” in advancing the well-being of entire communities, about twice as many focus groups with men talked about community-wide higher salaries or revenues from agricultural work, or greater business opportunities. Men’s greater likelihood to mention higher returns to work is hardly surprising, given their greater participation in paid employment and

prescribed role as primary breadwinners in most ECA societies.

Participant 1: “Infrastructure in the microdistricts has improved.”

Participant 2: “There are more opportunities to earn.”

Participant 3: “The furniture industry is developing well. Small business is prosperous. It was not easy in the beginning, and then everything went rather well.”

Participant 4: “We invest more in business.”

Participant 5: “There is a desire to earn more. The more you want to earn, the more you need to invest.”

Participant 6: “Loans are available now.”

Likewise, the modernization of agricultural techniques, land reforms and the opportunity to work in cities or abroad available to men who were previously employed in agriculture are reported to have boosted the prosperity of rural communities.

Women’s views on changes in community prosperity seem relatively more rooted in factors such as education and a relaxation in gender norms. Nine focus groups involving employed women argued that better education, knowledge, and cultural offerings contributed to advances in well-being in their communities, while only four of the focus groups among men mentioned these as factors. Women also often consider a decrease in crime rates, the end of conflicts, and political stability as key contributors to progress. Although a relaxation in strict gender and social norms has occurred in only a few localities, women argue this enhances the prosperity of communities.

“[The community] has changed a lot,” commented rural women in a focus group in Koso-

vo. “Women are freer now. Whoever had the means has started their own business or become employed... The mentality has changed. Everything is much better.”

“Yes, [women] are more well educated now,” others said. Similar statements were not uncommon in other areas that had experienced

relatively more restrictive gender norms, especially urban Turkey, but also parts of Central Asia and among minorities in FYR Macedonia. Meanwhile, women rather than men referred to worsening community cohesion, neighborhood relations, and the demographic composition of their localities, mainly because of migrating youth, as factors affecting community prosperity.

Access to more and better jobs drives economic mobility

Jobs are the main driver of upward and downward mobility. This message strongly emerges from both the closed-ended questions and the open-ended discussions with focus group participants across the region. Men and women across countries talked first and foremost about jobs and ways to get them as the top factor to trigger upward mobility. References to “jobs”, “work” or “employment” are ubiquitous throughout the narratives, whether in discussions on poverty reduction, the middle class or mobility processes.

When asked explicitly to select out of a list the top two factors helping men or women get ahead, people in the region related a similarly strong view.²¹ About half or more of the respon-

dents across gender, location, labor market status and community welfare selected “new or better jobs” (figure 1.15). Many more participants selected “new or growing business” as a top mobility factor. “New and better jobs” is overwhelmingly selected as key driver in countries where labor markets are weaker, especially in the Western Balkans. Similarly, job loss is seen as the main event that can cause men and women in ECA to bring their households down the ladder (figure 1.16). In the closed-ended question, at least 60 percent of employed men, employed women, rural respondents and urban respondents indicated that “job or business loss” is the biggest risk they face.²²

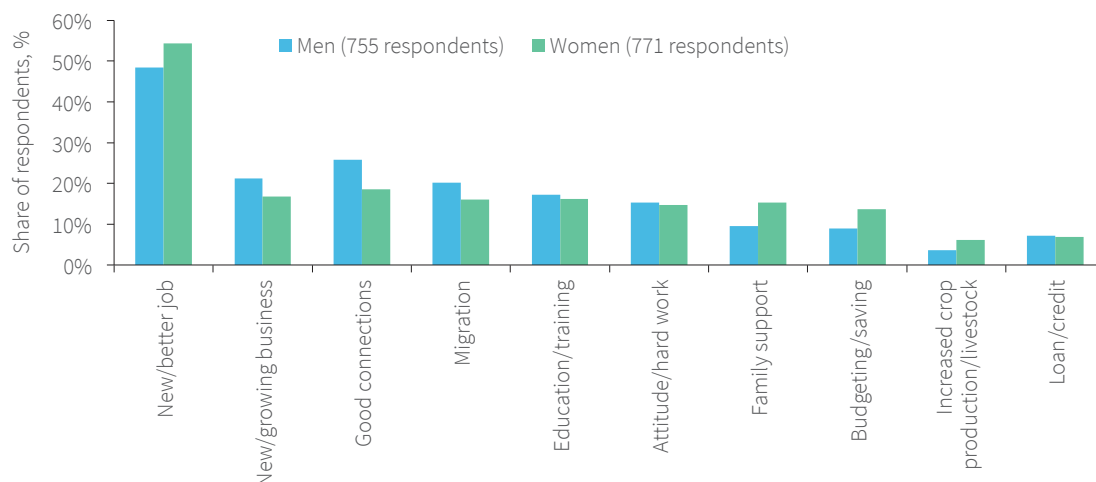
²¹ Data on upward mobility were collected by asking focus group respondents the following closed-ended question: “What two factors do you think have been the most important for the [sex of the focus group members] in this community who have moved their households up the ladder?” The facilitator posed this question to the focus group while displaying a list on a flip chart. The facilitator requested the focus group members to write on small slips of paper the two items on the list that each considered the most important factors affecting upward mobility. The options included (a) new or better job; (b) new or growing business; (c) migration; (d) remittances; (e) social assistance; (f) pensions; (g) education and training; (h) good attitude and hard work; (i) supportive family; (j) loan or credit; (k) effective budgeting and savings; (l) marriage, divorce, or separation; (m) good connections; (n) greater crop

or livestock production (if the focus group was in a rural area); (o) access to land (in rural areas); (p) other.

²² Data on downward mobility were collected by asking focus group respondents the following closed-ended question: “What two factors do you think have represented the biggest risks facing especially the [sex of the focus group members] in this community and have caused households to descend to a lower step on the ladder of life?” The question was posed to focus groups with jobless (unemployed and inactive) men and women while displaying a list on a flip chart. The facilitator requested the focus group members to write on small slips of paper the two items on the list that each considered the most important factors affecting downward mobility. The options included (a) loss of a job or business (unemployment or inactivity); (b) inconsistent job opportunities; (c) too much debt or lack of access to credit; (d) reduction or loss of remittances; (e) less government assistance; (f) own or family illness or death in the family; (g) depression; (h) family conflict, divorce, or separation; (i) the cost of a wedding, dowry, or death; (j) gambling, alcohol abuse, drug addiction; (k) rising cost of basic necessities or bad economy; (l) natural hazard or disaster (drought, floods,

FIGURE 1.15 Men and Women See Jobs – and Factors Associated with Job Opportunities – as the Number One Driver of Upward Mobility

Factors important in getting ahead in the community, by sex, % of adult respondents



Source: 172 FGDs with adult men and women. | **Notes:** Each focus group participant was asked to select two upward mobility factors; the share indicates the share of participants that chose a given factor among the top-two factors. Since only 1 to 3 percent of all participants selected fewer than two factors in each of these kinds of questions, all figures in this report were approximated based on the share of total responses.

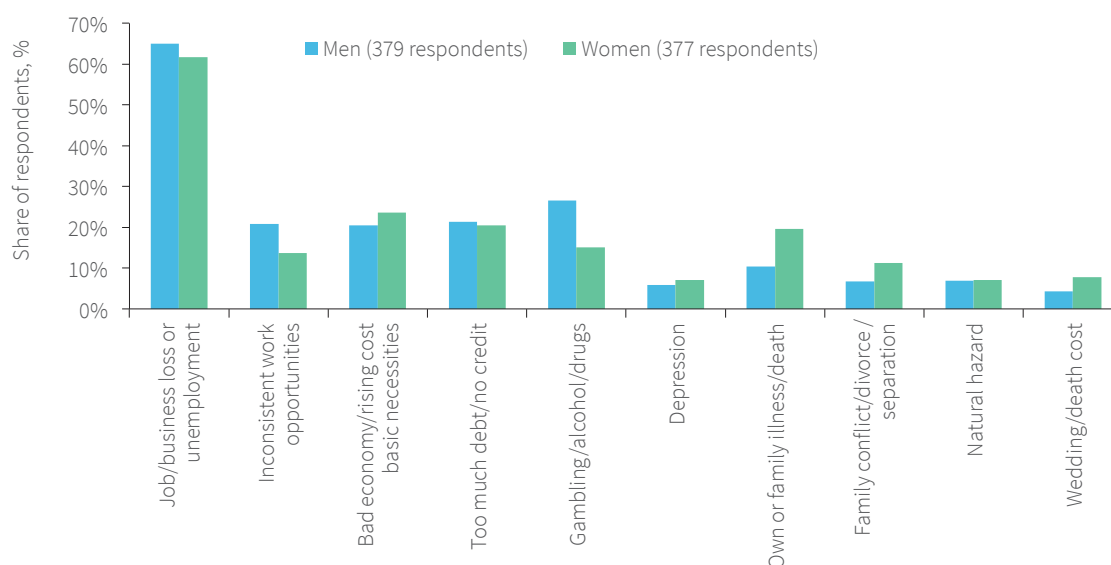
This can cause both women and men to bring their household to a lower step of the ladder, or even all the way into poverty. Strikingly, about 85 percent of respondents from the three countries with negative well-being changes attribute downward mobility mostly to job loss.

Jobs interact with other determinants of welfare changes in driving mobility processes. Job-related factors that appear to be of secondary importance in the responses to the close-ended questions (figure 1.15), such as connections, migration, family support, and education, came to the fore in the narratives from the focus groups' open discussions. The role of connections, family relations, and networks thus emerged frequently, especially in urban contexts, and reinforced the value placed on jobs. Chapter 2 discusses in more detail the role of jobs in economic mobility, the factors that limit access

to economic opportunities, and how these vary across respondents' characteristics.

While jobs are the main driver of mobility, a plethora of other factors matter and their relevance varies greatly across gender and location. These factors include education and training, a positive attitude, and hard work—all of which were more likely to be highlighted in countries experiencing advances in well-being. Other factors involving positive behavior and attitudes such as family support and good budgeting and savings practices were selected, although less often, among the top two upward mobility factors, especially by women. Meanwhile, remittances, loans and credit, and government programs aimed at helping the poor, the vulnerable, or the unemployed, as well as social assistance and pensions, were rarely brought up by men and women in the region. However, at least one person in four across the six countries in which well-being improved highlighted the risk of inability to repay debt and gain access to credit. In combination with other financial and health

and so on); (m) bad harvest (if the focus group was in a rural area); (n) death of livestock (in rural areas); (o) other.

FIGURE 1.16 Job Losses are the Main Event Triggering Downward Mobility*Risks that can move households down within the community, by sex, % of employed adult respondents*

Source: 84 FGDs with employed adults. Data from women focus groups in Ferizaj (Kosovo) and village near Mardin (Turkey) are not available.

shocks, these often appear to trigger a downward mobility spiral, where the recourse to gambling and drinking represents additional risks. These factors are discussed in turn, drawing on the in-depth discussions on mobility processes.

Education helps improve living standards, but it is not enough

Across the region, education is considered an important asset in facilitating upward economic mobility. In line with quantitative evidence on the correlates of economic mobility,²³ people in the region value education as a trigger for upward mobility. While only communities in Georgia, Kosovo and Turkey overwhelmingly selected this as a top mobility factor, during the open discussions men and women across all countries emphasize the role enhanced education can play. Good education and training are perceived to be a “step toward finding a job,” as a

man in rural FYR Macedonia remarked. “You can find a better job by learning foreign languages,” explained a woman in Bosnia and Herzegovina.

A diploma or a training experience are often deemed crucial for consideration for a job, while the lack of education or relevant skills can keep people stuck at a lower rung on the socioeconomic ladder. Older workers throughout the region, in particular, lament this. The widespread view in urban communities throughout the sample is that at least secondary schooling, but, more often, tertiary education, is required to be considered for good, well-paying jobs—sometimes abroad.

I did not complete my education, I put it aside many times. Today, nobody will give me a job without higher education.

—Jobless man in Kazakhstan

More education increases your chances of going abroad and finding work.

—Man in Serbia

²³ Cancho et al. (2015a).

Education seems to play a particularly important role in upward mobility among women, especially in communities in which gender norms have long been more restrictive. For many, it is the first step toward a relaxation of these norms and accessing economic opportunities.

“Women have to be well educated,” said a woman in Kosovo who was voicing the view of many. “This was a reason women in this community have been able to move their households up the ladder.” When denied an education, the probability of upward mobility is slim.

“We did not become educated because we were not offered the chance to study,” explained a woman in Tajikistan.

However, economic opportunities are viewed as scarce in any case, and the role of connections is so important that education is frequently considered necessary, but not sufficient for obtaining work.

“Education trains you and enables you to complete a specific task,” mentions a Kosovar man. “Whereas, good connections help you become employed.”

As a result, especially in Bosnia and Herzegovina and in Serbia, there are reported cases of highly educated people migrating abroad, attracted by better job opportunities and the potential for higher salaries.

Access to productive assets is also important

Beyond education, accumulation of productive assets was also considered important for mobility. Particularly in Central Asia, discussions focused on the opportunities to move to a higher step on the ladder through greater access to land and agricultural inputs. They tended to reflect on the advantages of land reform and redistribution for improving liv-

“Many people want to open businesses, but they have no money or connections”

—Man in urban area, Kyrgyz Republic

ing standards in rural areas. Many also talked of the impact access to credit had on their ability to build a business or improve their agricultural assets. The role of savings and good budgeting was highlighted by a few who stressed the value of these factors in fostering opportunities for small entrepreneurship.

“We didn’t know what loans were before,” said a woman in rural Kazakhstan. “Now, people can obtain money.”

“Savings are important” commented a man in Turkey. “You can use the money to make things better.” Perhaps because of the low levels of entrepreneurship among women in the region, women referred to the link between savings and business opportunities the most. The relatively more common reference to savings among women may also be partly explained by the traditional role of women in controlling and budgeting day-to-day household expenditures.

“If you have a normal income, budget management will help you use your savings effectively and grow your enterprise,” said a Georgian woman. “Women are good at budget management.” In contrast, especially among men in poor communities, there is little faith in the possibility of saving.

“Many people want to open businesses, but they have no money or connections,” said a city-dweller in the Kyrgyz Republic, for example. “To open a business, you must have access to credit. Loans are given out by private companies at high interest rates. This is the main barrier.”

Aggregate and idiosyncratic shocks undermine prospects for upward mobility

Downward movements on the Ladder of Life are often associated with shocks (figure 1.16).

Cumulatively, natural hazards, poor harvests, illness, and family-related shocks were deemed key triggers of downward mobility by close to 40 percent of the focus group participants. High-mobility countries in Central Asia, especially rural communities, were portrayed as particularly likely to be sensitive to these shocks, while health-related shocks worried close to 17 percent of the respondents in the Western Balkans.

Rural households, especially in communities in Central Asia that rely almost exclusively on agriculture, are well aware of the vulnerability to natural hazards. Men and women explain that natural hazards can lead families into poverty.

“In our region, most people’s lives and incomes depend on the land,” said a woman in rural Tajikistan. “If there is any natural hazard such as too much rain or wind or drought, it destroys the harvest, and people suffer throughout the year, until the next harvest.” The vulnerability of rural households to this type of shock can trigger other disastrous events and lead families down into prolonged periods of poverty.

“Farmers take the loans, but, if there is a drought, then they can’t pay back the debt,” explains a woman in Kazakhstan. Similar shocks mentioned

“A lot of people get by thanks to the pensions of their parents, and, if they lose their parents, they lose their income”

—Woman in Bosnia and Herzegovina

in rural communities include loss of livestock because of animal diseases, declines in the price of agricultural produce, and increases in the price of fertilizers and other inputs.

If your cattle become sick, it will disrupt your life.

—Woman from rural Tajikistan

The price of wheat went down for example, and the government subsidies were not paid.

—Man in rural FYR Macedonia

In both rural and urban communities, many people raised the issue of vulnerability to illness and other health shocks. Men and women elaborated on the ways health shocks can affect households by providing examples from their own experiences. Someone in the family falling ill can directly impact household welfare because it may lead to a new financial burden, both by incurring in health expenses and losing the contribution by an income earner. Many respondents hinted that public health care systems available in most countries in the region are inefficient and of poor quality “So, you have to pay for private care,” explained a woman in Kosovo.

“You might have insurance, but the cost of treatment is still high; drugs are expensive,” commented a man in Georgia. A man in rural Tajikistan explained why health shocks have the greatest potential of precipitating a downward spiral, even if a household includes several earners. “Because you never know when and why you get sick, illness happens unexpectedly,” he said. “If your illness lasts a long time, it can be the reason you become destitute.”

“If you’re sick, you can’t work,” said a Serbian woman, highlighting the additional strains put on household budgets if the only or the main income earner falls ill.

Life events such as family deaths and expenses related to funerals or weddings can also affect the well-being of households. The

cost of funerals, cemetery plots, and other expenses arising from the death of a family member were frequently mentioned by respondents in the narratives. Several women described the effects of losing their breadwinning husbands. Especially in Bosnia and Herzegovina and in Serbia, some respondents also share the view of a Bosnian woman who claimed that “a lot of people get by thanks to the pensions of their parents, and, if they lose their parents, they lose their income”.

The cost of a wedding is also extremely large in many parts of the region, causing financial problems. “In our community, a wedding costs €5,000 to €10,000,” a woman in FYR Macedonia explained. “The time needed to save up that money that they spent on the wedding is around 10 years.” Yet, local customs and social norms exert pressure on households to spend well above their means to ensure they hold a wedding that honors the image and standing of the family in the community.

“For a wedding, it is necessary to slaughter a cow,” said a man in Tajikistan. Another explained the high cost of a wedding for a rural household that raises livestock. “Slaughtering a sheep would not be enough at all,” he concluded. The impact of wedding costs on household vulnerability to poverty is so high in some contexts that the government of Tajikistan passed a law limiting the spending on such ceremonies. “Nonetheless, day by day, the spending goes up,” and “the Tajik people get money on credit to hold anniversary feasts, and, for their whole life, they have to pay the debt,” are common stories heard in Tajikistan.

In countries that achieved little progress in shared prosperity, most respondents complained that the rising cost of living in a context of stagnant wages represented a substantial risk for households. In these countries, women and men alike commented on the risk of declines in well-being fueled by higher prices.

“What matters in our society is good connections. Otherwise you can’t get a normal job. Nobody will ever take you on”

—Young woman in Kazakhstan

“During the last two or three years, the cost of living has been rising a lot,” said a woman in FYR Macedonia. “People are giving up on some basic necessities, such as central heating.”

“Prices are going up every day,” laments also a man in Serbia.

People’s responses to such difficulties, and the welfare losses that can follow, are different between men and women. Respondents often mentioned the resolve women need to show to encourage their husbands to stay strong during particularly difficult times, thereby even ensuring the survival of the household. Especially women brought up this subject. Given the role men are supposed to play as the breadwinners for the household, the failure of men to persevere in the face of shocks can generate psychological pressures and raise the risk of stress, depression, and other ills, such as alcoholism.²⁴

In managing these negative shocks and in moving up in the Ladder of Life, individual agency and family support were seen as necessary complements to the factors discussed above (Box 1.3). Jobless participants also shared their views on ways to build resilience against such shocks (Spotlight).

²⁴ Petesch and Demarchi (2015).

²⁵ See Annex 1; see also Muñoz Boudet, Petesch, and Turk (2013); Petesch and Demarchi (2015).

BOX 1.3 The Role of Agency and Family Support for Upward Economic Mobility

Positive attitudes and agency, the capacity to act on preferences and the available economic opportunities, were often discussed by men and women, especially in communities and countries that have witnessed significant improvements in well-being.

“The appropriate attitude is important in the place where you work,” underlined a Tajik woman in reference to keeping a job or obtaining a promotion.

“The best thing is for you to have a defined goal,” said a Serbian man. “A man has to be hardworking and persistent to see results.” The appreciation of agency and the appropriate attitude for enhancing the situation of individuals and families varies greatly by gender, as shown also by earlier studies.²⁴

“A lot depends on the person,” said a Kyrgyz man, summing up a discussion. “If you’re determined about what you do and if you work hard, you will be successful. Otherwise, nothing will help.”

A large share of the women and many of the men in the focus groups talked about the importance of spousal or family support in their search for opportunities for upward mobility. The reflections of respondents on the kind of support they expected or needed from their families varied greatly by gender and across communities. Some respondents referred to financial support or support in taking financial or business decisions. Others mentioned moral support and encouragement.

“My children are working, and they support me,” said a Serbian woman.

“Sometimes, a person makes a mistake, but, after getting advice, he can make the correct choice,” said a Kyrgyz woman.

“Whatever people do, they will be doomed to fail if they don’t have the support of people who are important to them,” concludes a Serbian man.

Conclusion: growing the middle class and achieving welfare advances on the Ladder of Life

The economic growth and income mobility experienced in much of the region is not always mirrored in people’s perceptions. Perceptions of the dynamics of welfare were less positive than the quantitative data imply even in countries in which growth, shared prosperity, and poverty reduction progressed the most. In the remaining countries, in which welfare indicators pointed to economic stagnation or decline, men and women speak of even greater worsening in their conditions. The more nuanced or outright negative changes in perceived

well-being appear to have been linked to weak labor market performance and perceptions of growing inequality, unfairness, and vulnerability.

This suggests that, while economic growth is critical for establishing prosperity and helping households move out of poverty, it is not enough. Jobs and factors related to jobs drive changes in well-being, especially in countries showing slower growth and weaker labor markets (an issue examined in greater depth in chapter 2). Yet, strengthening local economic opportunities and public service delivery can go a long way in improving the experiences of well-being within communities and are important to shape perceptions of poverty reduction and shared

prosperity. Ensuring that the bottom of the welfare distribution has access to opportunities to move up the Ladder of Life in their communities should be a clear priority of public policy.

If advances in well-being are to be sustained, the vulnerabilities and risks facing

non-poor households that could push them into poverty must also be addressed. This means the middle class, which is currently perceived to be losing ground and struggling to stay out of poverty, must be strengthened and the resilience of vulnerable households must be facilitated.

SPOTLIGHT: Resilience in the Face of Adversity

Men and women talk of secure jobs, dependable workplaces, and stable income as the single most valuable protection against downward slides.

“More than one person working in the household also helps,” said a man in Turkey.

“If one [employed household member] is having problems, the other can provide sufficiently,” explained a man in Serbia.

Nonetheless, a feeling of uncertainty permeates the narratives. People acknowledge that finding such secure jobs is difficult and that, in any case, such jobs rarely pay enough to allow households to save. “If you work here, you’re never sure you won’t lose your job,” said a man in Georgia. So, people try to discover ways to insure against potential job loss. “If someone sends you money from abroad, that income is more stable,” the man continued. Alternative sources of finance such as remittances from family members abroad and interest-free loans can mitigate the impact of a lack of employment income, but these sources are not always available. The ability to accumulate a financial base is thus often crucial to withstanding downward slides. Many respondents, especially women, spoke of the importance of the effective use of family budgets and the need to control spending and to spend rationally, although these practices were rarely enough to build resilience.

Still, a solid asset base can equip a household with a sufficient foundation to ensure survival at a modest level and for a limited period if the household falls into poverty.

Economically inactive men and women respondents often mentioned the value of social, physical, and, to a lesser extent, human capital assets in their discussions of coping with joblessness.

A strong social asset base tops the list of factors that can help households weather a crisis.

The social asset base can consist of community solidarity, help from friends, or family support. Informal institutions and networks are reportedly providing both financial and moral support at difficult times and new job opportunities, in line with the findings on upward mobility.

“Other people, people in the village, help me,” said a man in Turkey. Many other respondents admitted they relied on remittances from the Russian Federation or Western Europe. Still others found help with parents, especially if the parents were receiving pensions. Some Central Asian communities, especially ones in which unemployment levels were high, focused on supporting unemployed youth, who generally cope by living with relatives. References to family harmony and mutual support appear in discussions on resilience as frequently among men as among women.

“An understanding family and respect for each other until the family can become more stable are important,” said a Kyrgyz man, who added that money is important.

Physical capital provides protection from total collapse. Rural focus groups often talked about relying on their gardens, other small plots of land, and livestock for food.

“So, we don’t have to buy such things in the market, including tomatoes, potatoes and so on,” explained a Kosovar woman whose family owned a small urban garden.

“Some of them have cattle that belong to their parents in the villages,” explained a Kazakhstan woman. “They slaughter cattle for meat, sell it, and live on the money they earn.”

Better human capital, both in terms of health and skills, can help households build resilience. Possessing sufficient knowledge and skills or developing better qualifications are mentioned throughout the region as insurance against poverty in that these will increase the chance of finding a job.

A few employed respondents also point to the benefits of a positive attitude. “Good behavior and hard work help people become more resilient if they descend the ladder,” said a man in rural Kosovo.

The role of social assistance in sheltering households from poverty

Women and men across the region believe that current levels of social assistance are not enough to promote mobility. In reflecting on institutions and resources that can help households become more resilient, working

men and women were less likely to mention public transfers to the poor, unemployment benefits, pensions, and health benefits in positive terms. They were felt to be deficient in providing even basic necessities and were considered far from adequate to help the poor recover or supply better opportunities for children. The choir of discontent stretched across the region, and it was louder in communities in which prosperity had recently declined the most as a result of job loss and weak labor markets.

“It helps people survive,” stressed a Serbian woman. “But it’s not enough to live on.”

“Of course social welfare is helpful to people,” commented a Bosnian woman. “They can buy at least some food with that money.”

“It’s 70-odd euros; below any minimum standard,” explained a recipient in Serbia. “I live with two kids off that money, and, if it weren’t for my relatives and friends, I don’t know what I’d do.”

These may “save people from dying of hunger,” said a woman in Georgia. Among the Roma communities visited for the survey, respondents believe public transfers help people survive year after year, although they do not help people rise out of poverty. Indeed, more generally, the discussions tended to dispel the view that public support mechanisms could help build resilience or protect households while they seek ways to move back up the ladder.

“The government’s social assistance more or less protects families from falling into the extreme poor category, but this only keeps you from starving and provides basic medical service,” said a Georgian woman, who added, however, that “it’s still a support.”

Social assistance and other public support mechanisms are considered to be important among households struggling with extreme poverty.

When they were asked directly about the types of formal and informal institutions to which people can turn for help if they are struggling with poverty, jobless focus group respondents identified public institutions and transfers as crucial. Men and women in rural and urban areas considered social assistance, centers for unemployment and social work, national welfare programs, municipal administrations, and local development funds as the most important institutions that help the poor. In a few cases, people also talked about public soup kitchens, and energy or agricultural subsidies. In order of importance, nongovernmental organizations (NGOs) came a distant second among men and a distant third among women. Religious institutions and private sector actors were rarely brought up.

People often complained about social assistance. “We don’t want social assistance; we want jobs,” declared a man in Serbia.

Meanwhile, employment centers were often considered ineffective, especially in countries with high unemployment. In contrast, employment centers and the job activation programs linked to them were described in positive terms by several focus groups in Kazakhstan and Tajikistan. Kazakh women, for example, had long discussions on the role of the employment exchange centers and concluded that, though they rarely provided a lasting solution, they helped people get started or get back on their feet.

“They provide a job for one, two, or three months such as painting and sealing tree trunks. It’s all temporary,” said a woman in Tajikistan.

Child allowance programs were considered helpful. They were most frequently mentioned in Kazakhstan and the Kyrgyz Republic. Single mothers and poor mothers in Bosnia and Herzegovina and in Serbia expressed appreciation for this support, although they found the allowances difficult to obtain because of the eligibility criteria linked to the economic circumstances of the household.

Another source of public assistance that was praised was health-related transfers. Georgian respondents referred glowingly to the public health insurance program for the vulnerable, saying that it was the best public assistance program and that it helped many people cover basic health expenses they would have otherwise not been able to afford.

The views were also positive on energy and agricultural subsidies, which “helped pay the bills.”

For many poor and vulnerable households, social transfers are difficult to obtain, above all because of the eligibility criteria that they believe do not reflect the reality of poverty.

The eligibility criteria are viewed as particularly restrictive and even arbitrary. Especially (but not only) in the countries of the Western Balkans, people complain about how, despite long periods without income, their households cannot qualify because they own their homes or land (often as a result of the socialist legacy), live with parents receiving pensions (which qualify as income), or even own a motorcycle.

“They come and check your house,” said an exasperated man in the Kyrgyz Republic. “If you have a fridge, for example, then you are automatically rich.” A jobless Albanian man in FYR Macedonia described his paradoxical situation:

“I’ve been to all the institutions,” he said. “When I went there, they told me I’ve got lots of land from my grandfather; so, I can’t apply for welfare.” He paused. “But it’s mountain land,” he explained, “in the rocks, of absolutely no use.”

The roots of the ineffectiveness of social assistance systems, according to jobless respondents, include unfairness in the system and widespread corruption. Debates on the need for connections and party affiliations, as well as the overall lack of fairness in decisions about eligibility for social assistance were frequent. Though more typical in the four countries of the Western Balkans, statements about corruption and nepotism were common across the sample.

“There is no justice,” complained a woman in the Kyrgyz Republic. “They help their acquaintances.”

“You have to have good connections because officials first inform their own about a program,” said a Bosnian woman.

“It’s better not even to try,” related a respondent who was discouraged by the need to give bribes to receive social assistance.

The barriers also include practical difficulties in the application process and in acquiring program information. The reports of unemployed and inactive respondents varied greatly depending on the programs and on their educational attainment.

“This is difficult for us because we are not educated,” said a Tajik woman. “We’re not kept informed that much. It’s also difficult to apply. We don’t know to whom we must turn for advice.” Some of the poorest respondents said they found the paperwork daunting, though these were a minority, as were those com-

plaining about the long travel times and the associated costs to gather documentation or to apply at relevant centers.

“It’s nerve-racking, all those documents, reapplying [every few months],” pointed out a man in FYR Macedonia, reflecting a view expressed by the majority.

“It’s hard to apply for assistance because you have to apply for it too many times, once every three months,” explained a man in Kosovo, “and, for every document you renew, you have to pay.”

A few respondents complained about the psychological toll of the complicated application process and the lack of transparency. Many respondents said these were reasons keeping poor people from applying for social programs, especially because the benefits were so small.

“They behave like they’re giving us money out of their own pockets,” said a Kyrgyz man.

These various barriers and problems suggest there is ample scope for strengthening public support mechanisms for people seeking adequate jobs. While social assistance is available for the poor, sick, and unemployed, the systems should be enhanced to serve the chronic poor and the vulnerable more effectively. The systems should be fair, flexible, and transparent and include temporary protection from shocks, while also focusing on easing the transition to longer-term solutions, especially more stable jobs. In a region that is characterized by slower growth and fiscal constraints, ensuring viable yet effective social protection mechanisms, while improving the opportunity for the poor to make greater use of their human capital through work, is crucial.

CHAPTER 2

Jobs: The Weak Link between Growth and Shared Prosperity

We have many people who have finished secondary school, but there are no new jobs, and the government does not help you find a new or better job.

—Woman, rural FYR Macedonia

Jobs are the weakest link between growth and shared prosperity in Europe and Central Asia. Only one adult in two works, and, if they do work, many are involved in low-productivity activities, often in the informal sector. Job prospects are particularly dismal among women with less than secondary educational attainment, youth, and older workers. They are at risk of being left behind. Other people feel it, too. While they may want formal jobs in the public sector that provide security and a regular paycheck, they are met with a different reality when they look for work.

Conversations with residents in communities across the region have shed light on the economic and social barriers to productive employment, especially barriers related to aspirations, social norms, and connections on which quantitative evidence is lacking. Because many of these barriers are perceived to be beyond the control of the individual, they can be particularly discouraging and often lead to hopelessness.

This chapter discusses these barriers to productive work, their effect on various groups, and how countries can strengthen the role of jobs in promoting shared prosperity by devising instruments to reduce or overcome such barriers. The conclusion is clear: there is a need to expand the jobs policy toolkit to consistently address the critical “non-traditional” barriers to employment.





The role of jobs in economic mobility

Jobs are the main driver of upward and downward economic mobility

Work. Work. Work... It is all only about work.

—Jobless man, Karakol, Kyrgyz Republic

In most families, only one person has a job, and they are not capable of pulling the family out of poverty. If all family members worked, the problem would be solved.

—Jobless woman, Kutaisi, Georgia

People in ECA see jobs and the channels and barriers to obtain jobs as the key factor in upward and downward mobility. As discussed in Chapter 1, more than half of the respondents across gender, location, and socioeconomic and labor market status and across communities, chose “new or better jobs” as one of the top two factors in upward mobility (see chapter 1, figure 1.15). Jobs are particularly highlighted by urban women: 60 percent of urban women view jobs as a key factor, compared with less than 50 percent of rural women, urban men, and rural men. Jobs are considered crucial especially in places in which labor markets are weaker, such as most countries in the Western Balkans. Al-

most 70 percent of the respondents in Bosnia and Herzegovina, FYR Macedonia, and Serbia pointed to jobs as one of the two key drivers of upward mobility.

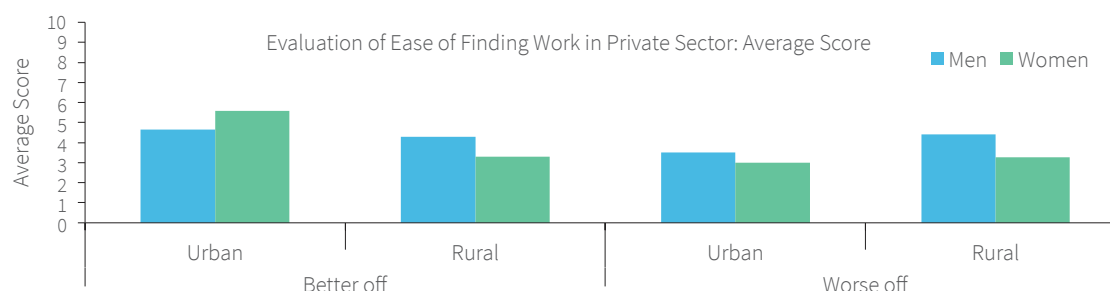
“We don’t have an old job, let alone a new one,” explained an unemployed man in Serbia.

“If there were a shoe or dressmaker factory in Ferizaj, they would provide new jobs,” said a woman in urban Kosovo. “It would be the place where we could go and apply for a job.”

Many knowledgeable community members confirmed the difficulty of getting a job, especially for women. In general, when asked whether it was easier for men or women to find work in the local economy, the vast majority of community leaders or knowledgeable members agreed that it was easier for men. Especially in relatively poor communities, men are often still perceived to have better chances than women of finding work in the local private sector (figure 2.1). More than a quarter of the communities visited during the study showed a large difference in employment opportunities by sex, highlighting that women still face more barriers than men in finding jobs. The difficulties are perceived as more severe in communities that are less well off and in rural communities. These results resonate with the focus groups participants too.

FIGURE 2.1 Women in Less Well Off Locations Have Trouble Finding Private Sector Jobs

Perceived ease of finding a job for a man or a woman in local community, by community characteristics, according to 0-10 scale



Source: Structured interviews with knowledgeable community member in each of 44 communities: 43 communities where adults (or adults and youth) focus groups were conducted, plus 1 additional community where youth only focus groups were conducted (Kazakhstan).

Note: One knowledgeable community member in each community was asked to evaluate the ease of finding a job in the private sector. Respondents scored their answers on a range from 1 (very difficult) to 10 (very easy).

Beyond direct mentions of jobs, the role of factors directly facilitating access or improvement in labor market opportunities emerged strongly.

New or growing businesses, good connections, and migration, as well as systemic factors such as inconsistent work opportunities or a bad economy, highlight the critical role of jobs in upward mobility across groups. (See figure 1.15 in chapter 1).

Not surprisingly, better work or business opportunities for households in rural areas is related to agriculture productivity or transitioning out of the sector.

Some rural respondents discussing the move to better jobs referred to the shift from subsistence agriculture to agricultural commercialization. The modernization of agricultural techniques, land reform, and growing access to markets are seen as having helped boost the prosperity of rural households in terms of both income (often by increasing men's employment opportunities beyond agriculture) and well-being, as rural inhabitants are relieved from performing physically demanding agricultural tasks.

"In 2003, many people spent a lot of time mowing hay manually," noted a rural respondent in the Kyrgyz Republic. "Now there is equipment to do this."

"The number of livestock has grown," added another. "Plowed area has expanded, and the number of farm machines has risen." Such statements are typical in less well developed rural areas.

"We have olives, but cannot sell them in Mardin," said a rural woman referring to a city in southeastern Turkey. "If there was a factory producing olive oil here, many people would find employment. It would be good."

In most families, only one person has a job, and they are not capable of pulling the family out of poverty. If all family members worked, the problem would be solved.

—Jobless woman, Kutaisi, Georgia

"Agriculture is an unstable sector," said a man in Georgia who expressed the common opinion that there should be greater opportunities for wage employment. "No matter how much work you put into a small piece of land, you will never earn enough profit to expand."

Overall, people emphasize that it is not only access to jobs, but to better jobs, that can enhance household welfare. While both men and women highlight the importance of more jobs and new factories, men were twice as likely to focus on the importance of earnings

through higher salaries, revenues from agricultural work, or greater business opportunities.

"A better job is associated with a better salary; so, that's important," explained a man in Tbilisi, Georgia. "Only more financial opportunities will help the family progress because it's impossible to do so otherwise." Respondents in less well off communities or among the temporarily employed are relatively more likely to voice the benefits of better, more stable jobs, especially those involving a change from the informal sector to the formal sector. Previous analysis suggests this is the view also in the case of moving up the socioeconomic ladder from the bottom steps to the middle class.²⁶

Currently, I'm a . . . street vendor... You can't really achieve a lot... It'd be different if I was at any other job. It's different having a steady income rather than walking through the market trying to sell something and earn 400–500 denars maximum for the day; another thing is to get paid 20,000–30,000 denars working in the bank.

—Man in a minority community, urban FYR Macedonia

²⁶ Petesch and Demarchi (2015).

Often, there must be a second earner in the family before a household can move up in the socio-economic ladder.

“It is important whether you have one or two wages in the family,” said a woman in Belgrade.

Mirroring the importance of jobs for upward mobility, job loss is viewed as the main factor causing households to move downwards on the ladder of life and even descend into poverty (chapter 1, figure 1.16). At least 60 percent of employed men, employed women, rural residents, and urban dwellers said job or business loss was the biggest risk they face. About 85 percent of respondents in Bosnia and Herzegovina, FYR Macedonia, and Serbia attributed downward mobility to job loss and identified it as the number one risk in maintaining the welfare of their households. The impact of the 2008–09 global financial crisis worsened the already relatively low employment rates in these countries, thereby influencing more pessimistic views among populations.

“No job, no money,” concludes a woman in FYR Macedonia. “You fall immediately. It takes time to find another job. Some never manage.”

You lose the job, you get depressed, you get divorced and then you start gambling and drinking. It's all linked.

—Employed man, town in central Serbia

Many men and women expressed their frustration with the lack of stable, permanent formal sector jobs and stressed the risks associated with informal sector employment. Job or business losses can push households into a downward spiral. This was a major worry among a large number of men and women especially in Central Asia, Georgia, Kosovo, and Turkey.

Across the region, for example, many were concerned about the cycle of indebtedness triggered by job loss or low wages.

“I’m forced to go borrow even more money to repay the earlier debt,” said a Serbian woman. Others complained they were unable to raise enough cash to get by until they could find another job or a new source of income.

“Unstable work contributes to the downward slide of the family,” commented a Kyrgyz man.

“[People] work for three or four months, receive no salary, or only enough to enable them to survive for a month, and then they are fired” said a Bosnian man. Indeed, unstable jobs was one of the most frequently cited factors of downward mobility, especially in rural areas (chapter 1, figure 1.16). This was reflected in the narratives.

“If your job isn’t stable, your income isn’t stable either,” complained a man in a Tajik village.

“Inconsistent and unstable work is usually underpaid and, sometimes, not paid at all,” added another.

“He took out a loan,” a man in Bosnia and Herzegovina said about a neighbor. “Then, he lost his firm. Now, he doesn’t have enough to survive, let alone pay off his debt, and the court took away everything he had.” Such stories were frequent in the focus groups.

“There are a lot of instances where people couldn’t pay back loans and had to sell their homes,” said a man in Tajikistan.

Moreover, a poor financial situation can have further negative consequences, including divorce, depression, or drinking, gambling, and drug abuse. When asked to explain how families in their communities have been ruined economically, almost all focus groups mentioned gambling, alcohol abuse, and, sometimes, even violence and crime.²⁷ Although the seriousness

²⁷ See Petesch and Demarchi (2015) for a more in-depth analysis.

of the problems varies, the high rate of early mortality among men and the gender gap in life expectancy in the region hint at the scale of the problem.

“Unemployment has caused many misfortunes,” commented a man in Georgia. “Some start drinking; others gamble.” Another respondent added that some men had started selling off household items for cash to use at betting terminals. Vicious habits such as these can easily trap people in poverty and economic vulnerability.

“The husband may be an alcoholic,” a woman said in a focus group in a Kyrgyz village. “Because of that, he may become unemployed, and the family will be left without an income,” added another.

“Drugs, alcohol: these cost considerable money,” said a man in another focus group in the Kyrgyz Republic. “A man who is a drug user or an alcoholic does not care about work or anything else.”

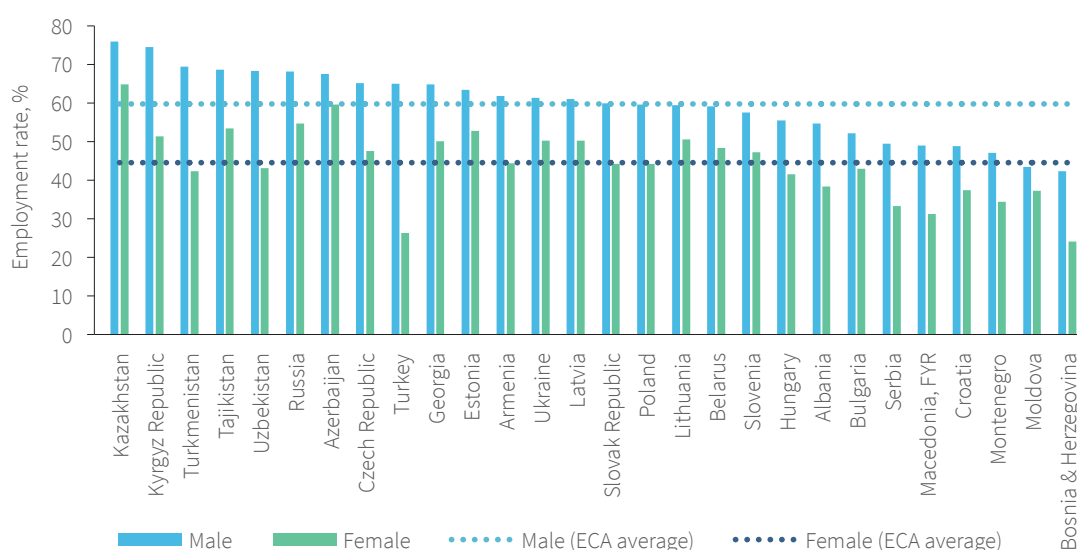
The jobs challenge in Europe and Central Asia

Low employment rates have been persistent

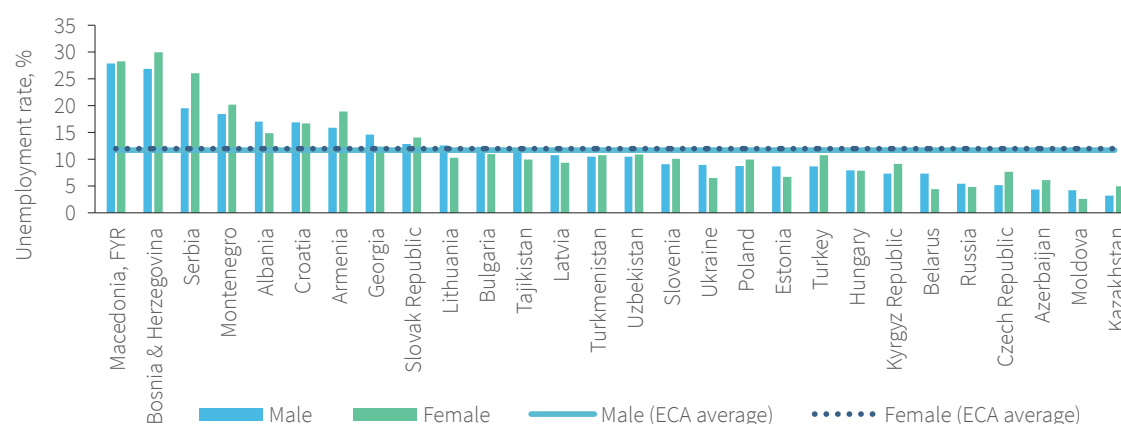
The poor job prospects faced by many in Europe and Central Asia mean that important segments of the population lack access to productive economic opportunities and risk being left behind. On average, only one in two working-age individuals is employed in the region. The average employment rate is 43 percent among women and 59 percent among men (figure 2.2). In countries such as Bosnia and Herzegovina, FYR Macedonia, and Moldova, employment rates dip below 40 percent. The low employment rates are often the result of high unemployment rates and, particularly among women, low labor force participation rates (figures 2.3 and 2.4). This is not merely a reflection of the recent economic and financial crisis. Overall, employment rates have essentially been

FIGURE 2.2 Employment Rates are Low in the Region, Particularly among Women, 2014

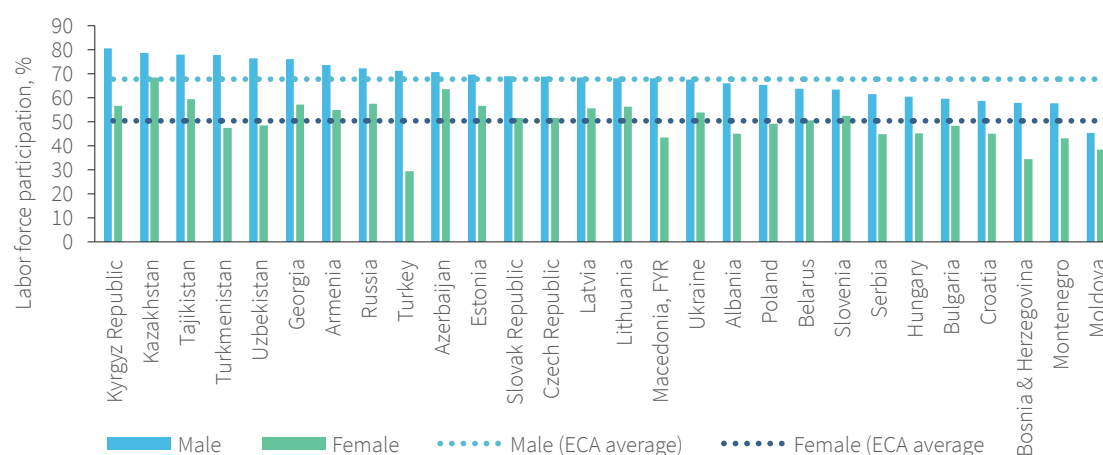
Employment rates (15+) among men and women, percent



Source: World Development Indicators database, World Bank. | **Note:** The employment rate is the share of the overall adult population aged 15+ that has paid or unpaid work.

FIGURE 2.3 Unemployment Rates Are High, 2014*Unemployment rates (15+) among men and women in the region, percent*

Source: World Development Indicators database, World Bank. **Note:** The unemployment rate is the share of individuals without work who are looking for work among all individuals participating in the labor force. Labor force participation is the sum of those who are working and those who are looking for work as a share of the total adult population (aged 15+).

FIGURE 2.4 Labor Force Participation Is Low, Especially among Women, 2014*Labor force participation rates (15+) among men and women in the region, percent*

Source: World Development Indicators database, World Bank. **Note:** The labor force participation rate is the sum of those who are working and those who are looking for work as a share of the total adult population (aged 15+).

unchanged in most countries in the region since the early 2000s.²⁸

Labor market outcomes are especially weak across three demographic groups: women, youth, and older workers.²⁹ A typical woman in

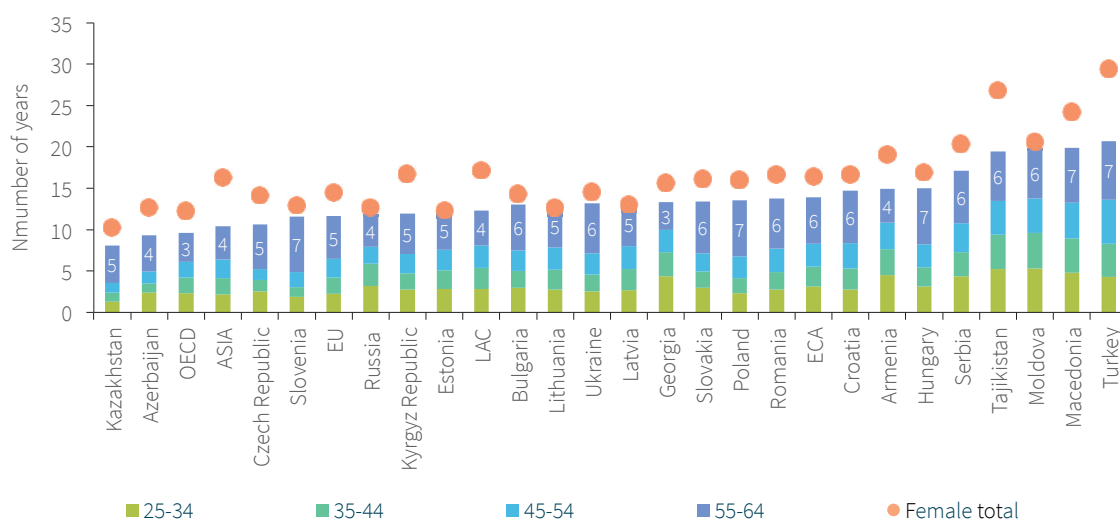
the region loses almost 17 years of productive life to unemployment or inactivity, 6 more years than a typical man (figure 2.5). Most of these years are lost later in life, when workers elsewhere in the world are still working (Box 2.1). Figure 2.6 illustrates how this labor market inequality shapes labor force participation in the Kyrgyz Republic and Turkey. In many cases, the inequality persists even in a context of economic growth. Thus, the gap in labor force participation between men

²⁸ Arias et al. (2014).

²⁹ Arias et al. (2014). On youth, see chapter 3.

FIGURE 2.5 Productive Lives Are Shortened by High Unemployment and Low Participation, Especially among Women and Workers over Age 55

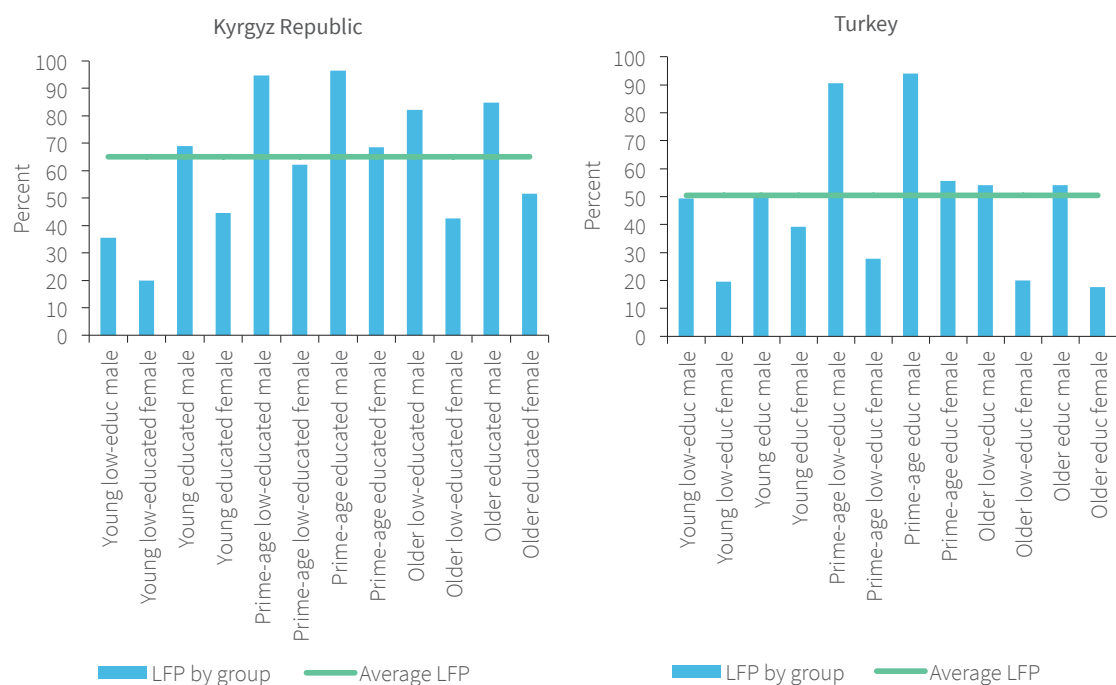
Average number of years of potential working life lost, by age-group



Source: Arias et al. 2014. | **Note:** Data show the sum of employment rates by age-group, among 15- to 64-year-olds, less total potential working life. OECD refers to Organisation for Economic Co-operation and Development; EU to European Union; LAC to Latin America and Caribbean.

FIGURE 2.6 Labor Force Participation Rates Are Low among Some Socioeconomic Groups

Labor force participation, by sex, age, and education, the Kyrgyz Republic and Turkey, percent



Source: World Bank calculations based on data in household and labor force surveys in Arias et al. 2014. | **Note:** Young = 15–24 age-group. Prime age = 25–49 age-group. Older = 50–64 age-group. Low-educated = completed secondary education or less.

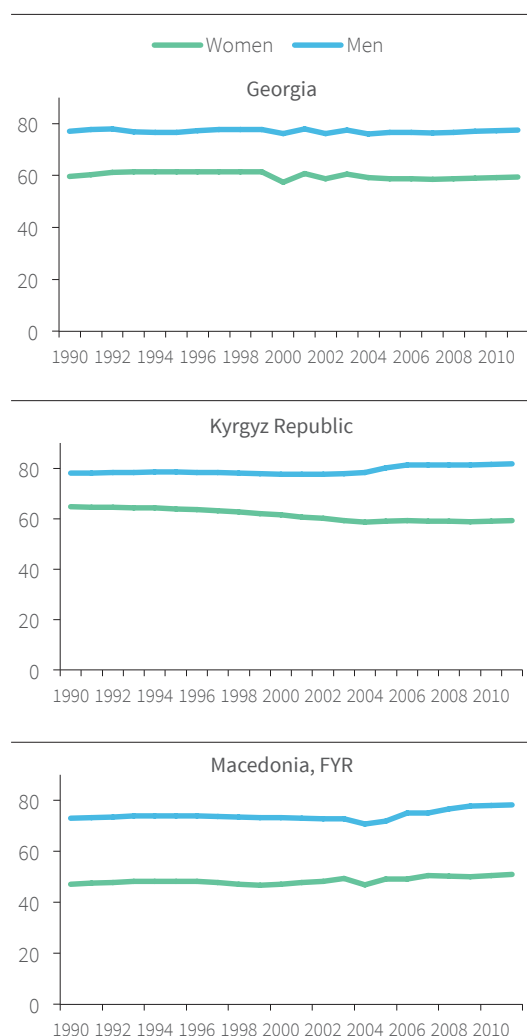
and women has stayed almost unchanged in the region for over 20 years (figure 2.7). In some countries, such as the Kyrgyz Republic, it has even widened.

Jobs are thus the weakest link between growth and shared prosperity in Europe and Central Asia.

Countries in the region have struggled to provide jobs for all workers even in a context of strong economic growth. Over the two decades of economic transition, economic growth in most coun-

FIGURE 2.7 The Gender Gaps in Labor Force Participation Rates Have Persisted Since the Transition, 1990–2011

Labor force participation (15+ years old), by sex, percent



Source: Source: KILM (Key Indicators of the Labour Market) (database), International Labour Organization, Geneva.

tries in the region was achieved mainly through higher productivity rather than through increased employment. The pace of net job creation started to accelerate in the countries that were the most advanced in the transition in terms of reform. However, even in countries in which job creation was accelerating, the newly created jobs tended to benefit mainly only certain segments of the workforce, such as workers with relatively high educational attainment or workers in some locations.³⁰ The economic crisis heightened the challenge by weakening job creation and affecting youth and less highly skilled workers disproportionately.

The disconnect between job creation and economic growth is also apparent within and across communities.³¹

Even in communities that reported doing better now than in the past, starting a business or finding a job in the private or public sector had not necessarily become easier (figure 2.8). Less well off urban communities were an especially challenging environment for finding private sector jobs. Evaluations of the ease of starting a business show roughly the same pattern. Equally telling is the fact that perceptions about job prospects were not so different among respondents in communities that were prospering and communities that were not prospering. They were fundamentally different, however, among women. This suggests that the burden of joblessness and poor prospects falls disproportionately on women in hard economic times.

Beyond poor access to employment, earnings and productivity are low among many workers.

Despite the high returns to education and the rapid real wage growth in the region in the 2000s, large segments of the population are in low-productivity, low-earning jobs, often in the informal sector. Depending on how informality is measured, at least one-third of employment in most

³⁰ Arias et al. (2014).

³¹ The analysis presented in this paragraph is based on the opinions of selected knowledgeable community members only.

BOX 2.1 The Age Divide: Older Workers

The challenges faced by older workers in the labor market are salient.

Workers are perceived to be too old well before retirement age. Many people draw the line at 40 years of age, reporting that it then becomes more difficult to find a job because of age.

“In urban communities in particular, older men are often seen as highly unlikely to find work, because employers tend to look for young, healthy, strong workers,” said an employed man in Bishkek, Kyrgyz Republic.

From 35 onwards, they immediately say you are old... One medical nurse applied for a job after 15 years of waiting at the bureau of employment. One girl who recently graduated also applied, and she got the job. They said they needed young staff.

—Man, village in Bosnia and Herzegovina

At the same time, respondents in some communities stress that older women do find jobs in the informal sector as nannies, seamstresses, or cooks, for example. In many cases, representatives of employment agencies confirm that employers generally look for workers who are below the age of 35.

People up to 35 years of age have the biggest chances for employment, and they are the ones who are the most successful in finding jobs. Employers are looking to employ younger persons because they are healthier and spend less time on sick leave compared with older workers. On the other hand, young people are easier to manipulate than older people. I think that, in case of people above 50 years of age, we should offer a bit more diversified mea-

sures for employment. For the time being, it's rather sloppy.

—Employment agency staff member, village, central Serbia

Older workers face specific challenges. For older workers, the main barrier to finding employment is lack of physical strength or overall lack of good health (figure B2.1.1). This is especially important among men, whereas among women, family obligations and physical appearance also appear to weigh heavily. Across communities, the various reasons older workers face challenges differ slightly. In all types of communities, people also stress that older workers do not have the types of skills employers require nowadays, especially knowledge of foreign languages and computers.

Representatives at local employment agencies confirm that, among the various age groups, older workers face by far the most challenges in searching for work. In 60 percent of the communities visited for this study, employment agency representatives stressed that youth (aged under 25) have a much better chance of finding work relative to older workers (aged 50 and above). In the rest, the representatives contend that opportunities are equal among these two groups, but this is partly because many young workers migrate abroad in search of better job opportunities, a trend that is much less common among older workers.

[Older workers] have worse prospects... All the private companies and banks are looking for young people. However, they do not fully understand the benefits of hiring people with work experience.

—Employment agency representative, Bishkek, Kyrgyz Republic

It's difficult for older people to find a job. Their education and years of work experience do not matter. There are a lot of people with higher education in this group, but age is the biggest obstacle when people apply for jobs.

—Employment agency official, village in the Kakanj Municipality, Bosnia and Herzegovina

The age divide is particularly stark among women. It is generally perceived to affect women the most and to start posing restrictions among women earlier than among men.

“Thirty-five is a critical age limit,” stressed a woman in Sveti Nikole, FYR Macedonia, “but, if I say to the employer that I want to have children, then I’ll never get the job.” Overall, women in their late 20s are considered the

most sought-after women workers. People perceive that employers prefer young women workers because of their physical appearance and superior health, but also because they are generally considered more motivated than older women. For example, young women are less likely to negotiate high salaries and other benefits, because they do not yet have children to support.

“An employer doesn’t want women with family responsibilities,” said a community member in a relatively poor urban community in Serbia. “She’ll ask for sick leave and similar benefits.” In many communities, women with children are said to be more motivated to find work because they often need the money, but many add that such women often struggle to find jobs.

FIGURE B2.1.1 Among Older Workers, Lack of Physical Strength, Weak Health, and Obsolete Skills Are the Most Important Constraints to Finding Work

Response frequencies by focus group participants, highlighted by share

A. Rural

PHYSICAL STRENGTH
DIFFICULT TO EXPLOIT
HEALTH
FAMILY OBLIGATIONS CLOSE TO RETIREMENT
OBsolete SKILLS

B. Urban

OBsolete SKILLS APPEARANCE
DEPENDS ON TYPE OF WORK
DISCOURAGED LEGISLATION
DIFFICULT TO EXPLOIT
MENTAL CAPACITY LESS PRODUCTIVE
PHYSICAL STRENGTH
HEALTH

Source: 86 focus group discussions with employed men and women. | **Note:** Keywords derived from responses by employed men and women to the question: “Why is it harder for older workers to find a job?”

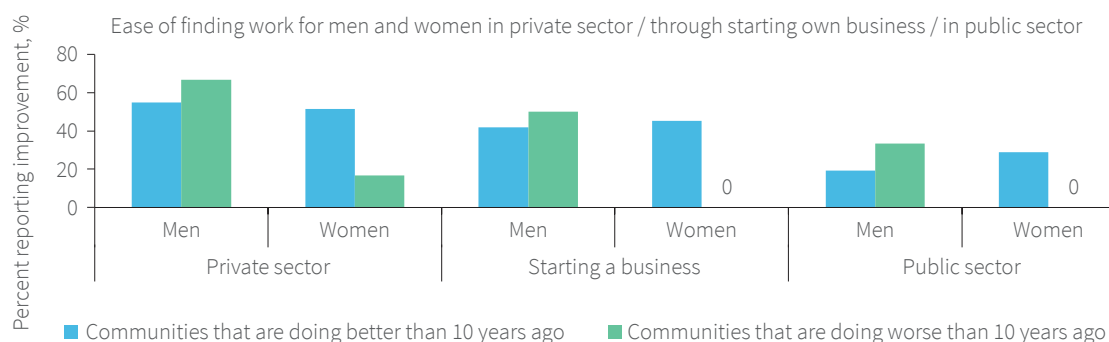
countries appears to be informal, that is, with no written contract, or in small firms. Informality is disproportionately prevalent among older workers and workers in low-earning jobs.³²

³² Packard, Koettl, and Montenegro (2012).

In the face of these challenges, migration is an important outlet for limited local opportunities, especially for men. Most respondents who discussed the value of migration in upward mobility depicted it as a second-best option after a more well-paying job or any job at all at home.

FIGURE 2.8 The Link between Job Prospects and Economic Performance Is Complex

Share of knowledgeable community members reporting that it is easier to find a job now than 10 years ago, percent



Source: Structured interviews with knowledgeable community member in each of 44 communities. | **Note:** One knowledgeable community member in each community was asked to evaluate the ease of finding a job. Respondents scored their answers on a range from 1 (very difficult) to 10 (very easy).

“Migration means a high salary,” explained a man from the Kyrgyz Republic. “If we had had good salaries, we wouldn’t have gone anywhere.” Indeed, many describe migration as unavoidable given the difficult economic situation in their home communities.

“Migration is occurring because people are tired of their way of living, of stress, and they don’t have any other choice but to migrate,” said a man in Kosovo.

The State doesn’t meet the needs of people, and that is the main reason people migrate. [The State leadership] are thinking only about themselves, not the population. They don’t open more workplaces to employ the people. Even if they do, they hire people they know. You are forced to go find a job, while your children remain uneducated.

—Jobless man in Ferizaj, Kosovo

Extremely poor men and women go to Turkey to work at seasonal jobs for three months.

—Rural woman, Kobuleti Region, Georgia

Migration is not a good way. . . . Because of the low standard of living and the lack of salary, we have to migrate. However, the people of our country are migrating less than before; the standard of living among our people is rising. People are raising their

living standards on account of their land, entrepreneurship, and effort.

—Working woman in rural Tajikistan

Migration is described by some as a temporary solution, to build a more solid asset base for the family. Across countries, there are stories of people working abroad for a few years and then returning with a higher standard of living. Several participants acknowledge, however, that migration is not without difficulties and consequences (Box 2.2).

“They come back and live on that money for two or three years,” said a man in FYR Macedonia. There are also stories of women and men returning from Western Europe or Russia with sufficient savings to start a business.

“She migrated, earned some money, returned, and opened a business,” said a Kyrgyz woman about a neighbor.

In nearly every household in our community, we have migrants. Without migration and the search for work elsewhere, life would not be good. The wealth and health of our people today depend on the remittances we get from our migrants.

—Employed man, village in Qumsangir District, Tajikistan

BOX 2.2 The double face of migration

Migration to pursue economic opportunities abroad is a common way for men (and to a lesser extent for women) to improve the welfare of their households. Across all communities, people stress the role of migration and remittances in promoting upward mobility or preventing slides into poverty, especially at times when getting a well-paid job is difficult at home. While being, first of all, a way to earn higher income, migration is also often viewed as an enriching experience that trains people in new skills and personal strength.

But labor migration also has some disruptive and negative impacts, which focus group participants do not fail to highlight. This is particularly common in countries of Central Asia, where people are vocal about the difficulties faced by both migrants in Russia and their families staying behind.

First, some talk about how tough living and working conditions can be. An unemployed man from the Kyrgyz Republic reports that “my wife was working abroad for two years, recently she returned home, she had lost ten kilograms. She said how hard it was to earn money. Now she is working as a caregiver, it is a better job for her. But many migrants aren’t able to stand it – we are kind of slaves there, treated like animals.” In addition, there are widespread views that discrimination and violation of workers’

rights abroad can take a toll on the psychological well-being of labor migrants.

Second, migration can negatively affect family relationships. Stories of migrant men keeping two families—one in Kyrgyz Republic, Tajikistan or Kazakhstan, and one abroad—are frequent, with a detrimental impact on women left behind, who can no longer rely on the same level of economic and other kind of support from their husbands. “Migration may be dangerous for married people” points a man in the Kyrgyz Republic, referring to the family tensions it can generate when spouses are apart. Women are reportedly more vulnerable to the consequences of such events, and thus to poverty.

Lastly, the brain drain seems to worry a significant share of people. They highlight that many migrants do not return to their country of origin, but remain abroad, where they end up building a new life and stop sending money home. According to a Tajik woman, voicing the concern of many others, “some of them gained knowledge there and became good specialists and stayed. It’s a major problem when going to Russia.” The consequences are viewed as negative both at the household level, with a reduced stream of financial support as time passes, and for the country as a whole, as it loses its human capital.

Poor labor market prospects are even more glaring when contrasted with people’s high, often unrealistic, expectations

In the region, people believe a job is one that provides a regular source of income (figure 2.9). Most of the elements people view as central to

a job revolve around financial and nonfinancial security and stability. Regularity in employment, security in supplying one’s basic needs, and the ability to provide for one’s family are good examples of such elements. Employment in a public institution is also considered an element. This is a legacy of pre-transition times, when the state was the main source of employment.

People looking for work are interested in jobs that are well paid and stable.

Men and women in rural and urban areas cite income as the most important attribute they look for in a job (figures 2.10 and 2.11). Good working conditions—regular hours or the ability to work at home from time to time—is the second most critical attribute people look for in a job. A factor considered highly important is adherence to an eight-hour work day. Respondents also often stress the significance of a regular wage. Especially in the informal sector, many experience situations where they are promised a salary, but do not receive one. A long-term contract seems to be relatively

more important among jobless men than among jobless women.

When I go to an automated teller machine, I'm disappointed by the amount I have. I sometimes have to force myself to go to work. I can't afford anything for my children or for myself. That means a good wage is important.

—Employed woman, urban Serbia

“The contract should state all my rights and responsibilities,” said a jobless woman in a village near Batumi, Georgia, “and, so I don’t end up in a bad situation, only if I like them will I sign it.”

FIGURE 2.9 The Standard of a Job Is Set High

Definitions of employment reported in focus group discussions, highlighted by share

A. Among people in employment



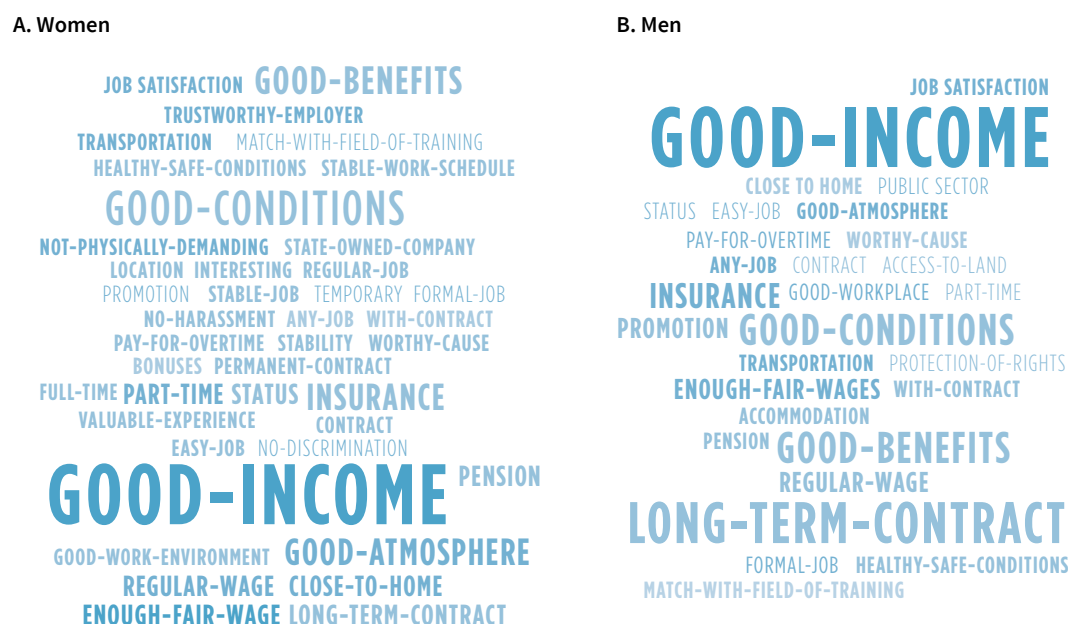
B. Among people out of employment



Source: 172 focus group discussions with adult women and men. | **Note:** Keywords derived from responses to the question: “What does it meant around here if someone says they are employed?”

FIGURE 2.10 People Are Looking for Good Pay and Stability in a Job

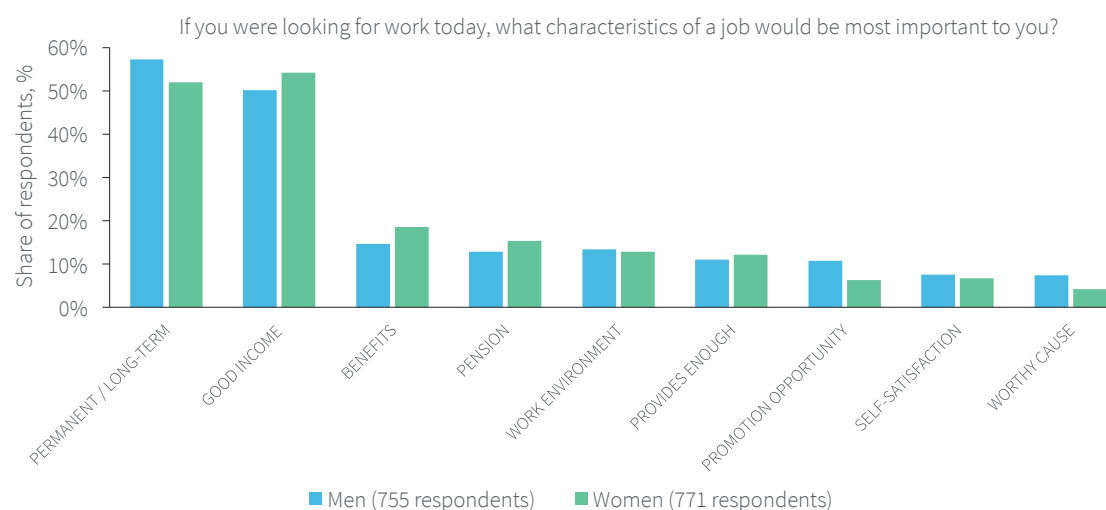
Response frequencies among jobless men and women, highlighted by share



Source: 86 focus group discussions with jobless men and women. | **Note:** Keywords derived from responses to the question: “If you were looking for work today, what characteristics of a job would be most important to you?” Good conditions include regular hours, the ability to work at home occasionally, or complimentary lunch. Good benefits include holidays, paternal or maternal leave, and sick leave.

FIGURE 2.11 People Are Looking for Good Pay and Stability in a Job

Focus group respondents who selected a characteristics among the top two, percent



Source: 172 Focus group discussions with adult men and women.

“A job is good if you have a contract,” said another woman in the same village. “A contract guarantees that you will not suddenly end up unemployed.”

“To have a good job, you have to work in your profession,” responded a man in a village near Pristina, Kosovo. “Then, you have to have a good income, a permanent contract, or long-term stability, and you have a job that is safe in terms of health.”

This desire for stability helps explain the strong preference for public sector jobs.

Mostly, respondents believe public sector jobs are the best at guaranteeing a regular salary. Overall, 80 percent of the respondents preferred a public sector job over a private sector job. The reasons largely correspond to the factors listed as important for a good job (figure 2.12). Although some respondents preferred to work in the private sector, where, they believed, the wages would be higher, promotion would be easier, and their skills would be appreciated, most attached more value to the security and stability of public sector jobs.

“A secure job?: all family members employed in the public sector,” agreed a group of men in FYR Macedonia. “If the government falls, they will

fall too, but they are still more secure than other jobs.”

“Public jobs are considered good jobs here because they are stable and there is more chance of promotion,” explained a woman in a Georgian village.

However, these definitions and aspirations about jobs leave out more ‘irregular’ forms of employment that are, in fact, becoming common in many countries.

Traditional definitions of employment used in household surveys include a broad range of jobs that go well beyond the formal, stable jobs that most people in ECA think of when defining what a job is. These include unpaid work, informal sector work, jobs on irregular schedules, and part-time work. For example, being a wage worker in agriculture or construction—two very common forms of work—are often not considered an actual job (figure 2.13).

This partly reflects an overall preference for formal over informal work.

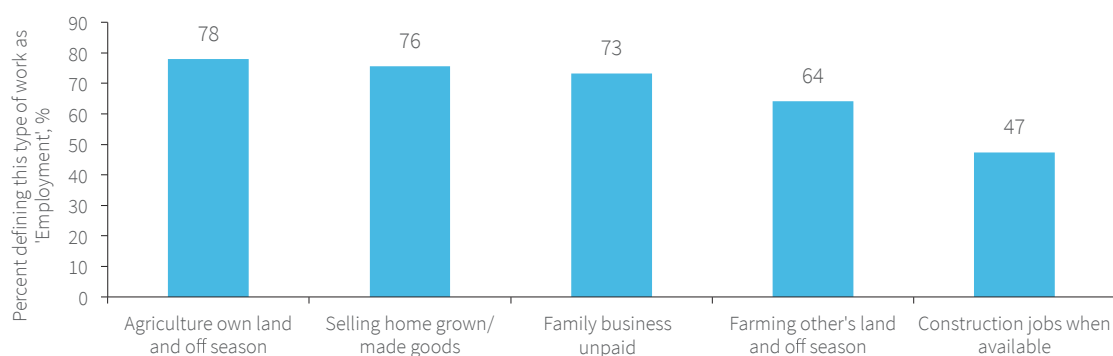
Over 95 percent of the focus group participants indicated they would prefer formal sector employment to an informal one if it were available. Although many also stress that the pay of informal work is better, this is frequently followed by statements on the downside of not receiving pensions and health insurance.

FIGURE 2.12 Public Sector Jobs Are Preferred Because of the Greater Security and Stability

Response frequencies on the main advantages of public sector jobs, highlighted by share



Source: 172 focus group discussions with adult men and women. | **Note:** People were asked “Is it preferable to work in a job in the public sector or the private sector? Why?”. Response frequencies showed here are based on explanations provided in answering this question.

FIGURE 2.13 Many Common Jobs Are Not Considered Actual Jobs in the Region*Subjective definitions of types of work as employment, share of focus group participants*

Source: 172 focus group discussions with adult men and women. | **Note:** People were asked the following questions: “We would like to get your views on some scenarios about types of employment. Would you categorize someone in this situation as employed or unemployed: someone works full time in agriculture on their own land, at least three months a year and they do occasional jobs when available during the rest of the year? Someone works full time in farming or with livestock on other people’s land when the weather permits, and in occasional jobs the rest of the year? Someone works regularly for a small family business but does not get paid? Someone sells items at a local market that they make in their house or grow on their own land? Someone works in construction when jobs are available?”

“You take an informal job only because you have no choice,” said an employed woman in a village near Shymkent, Kazakhstan.

The conversation is particularly telling in focus groups in a village in central Serbia. “In the formal sector, everything is done according to the law,” said an employed man. “You have pension contributions and social security.”

“Most people would accept a smaller wage if it is secure and regular,” stressed a jobless man in the same community. “That’s the most important thing.”

“[Informality] is a necessary evil,” another employed man argues. “It’s bad for everyone, for the government and for the person working. The only positive is that you have a job.”

In fact, informal jobs are seen as a coping mechanism for when formal, stable jobs are not available.

“They collect coal; go to the woods, cut wood, and sell it, and that’s how they survive,” said a respondent in Bosnia and Herzegovina.

“They pick blueberries or mushrooms,” explained another. Respondents told stories about poor, ‘unemployed’ men who washed cars or worked at construction for a day’s wages and about poor ‘unemployed’ women who cleaned houses. Georgians in urban areas described people who sold the limited produce of their gardens or peddled their old jewelry on the streets. Many respondents talked about running up bills at local shops until they could find a job or until after the harvest.

In urban areas, in addition to a good salary and stability, opportunities for career development were considered important. In urban areas, respondents said it was important that a job offers opportunities for training or promotion, a discussion that was absent in rural areas.

Women were more specific than men about their preferences in looking for work. The preferences included a fixed contract, annual leave, paid benefits and insurance, or, simply, a job one likes, a job that is interesting, or a job involving responsibilities. Women also attach more importance than men to a good atmosphere, including building up social networks in the workplace.

These high expectations –of stable, formal, high-paying and satisfying jobs– clash with a reality of slow job creation, and high unemployment and informality. This mismatch can be frustrating.

“People aren’t looking for work anymore because they’ve already made several attempts, but failed, and they don’t want to try again,” said a man in Shymkent, Kazakhstan. “After the first rejection, they don’t want to search for a new job.”

I haven’t applied for a job in the last two years because I was pregnant with my son and had complications during the pregnancy. But, for 10 years, I applied regularly without any success. Maybe now they know my documents by heart, and they don’t even check them anymore; they just throw them right away. . . . [I applied] not only at schools, but also at ministries and day-care centers and a lot of other places. I only haven’t applied for a job as a cleaning woman yet. What can you say about me: that I don’t want to work or that they won’t hire me? Maybe it’s because they hire relatives and don’t consider other applications at all.

—*Jobless woman, village near Pristina, Kosovo*

I can’t find a job to earn money. Private sector employers require at least a bachelor’s degree, which I don’t have, and I’m not even talking about government jobs... In the weekly newspaper *Reklama* [advertisement], I can’t find a suitable job; most want people under age 35. About four months ago, I was trying to get work at the Korvon market, but the businessman turned me away because I don’t have experience as a salesman. He told me I’d bankrupt him.

—*Jobless woman, Dushanbe, Tajikistan*

What keeps people out of jobs in the region?

Barriers related to inadequate education and skills, lack of networks and connections, social norms, and poor incentives to work hold

people back from wage work and entrepreneurship in the region. Besides the creation of more jobs, men and women respondents said the four most critical factors that would improve their chances to access productive employment are: (i) better education and skills; (ii) improved social and professional networks, and information; (iii) social norms more conducive to women’s access to economic opportunities, captured in mentions of the importance of daycare and family support; and (iv) stronger incentives to work and run a business related to flexible work arrangements and lower taxes (figure 2.14). Some of the underlying barriers behind these factors —especially those related to networks and social norms—appear to affect women more severely than men.

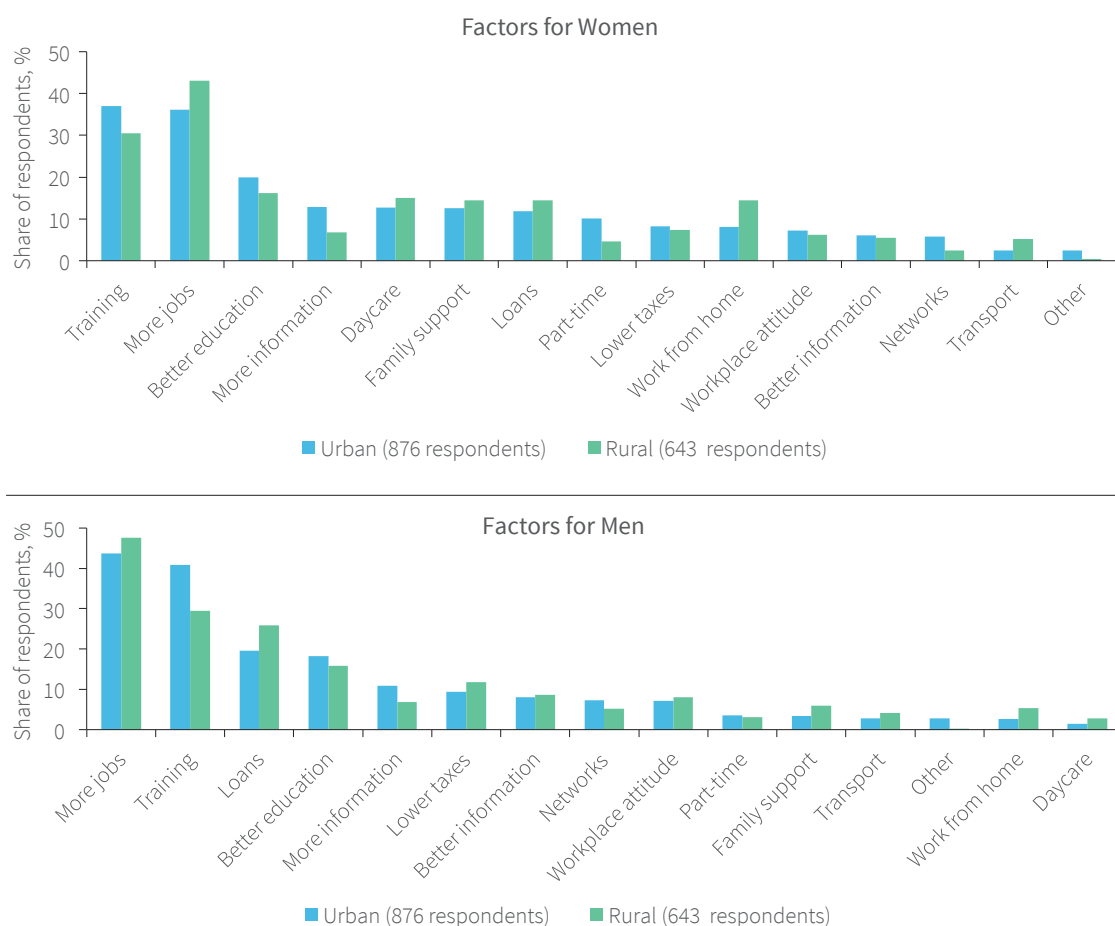
Inadequate skills are recognized as a key barrier to employment

Obtaining at least a secondary-school education can help improve labor market prospects. Quantitative evidence shows that labor market outcomes improve with educational attainment (World Bank 2015b). This is consistent with the qualitative evidence collected for this report. Men and women listed education as one of the top four factors that would help improve people’s chances of finding work. Respondents also often mentioned that having at least a secondary-school education, but preferably more, signals to employers that the individual is motivated and diligent. Lack of education was considered to play a role in explaining poor employment prospects among marginalized groups, such as Roma.

The value of education and skills is evident in parental investments in education. Parents generally stressed that they do everything they can to ensure their children obtain a good education. Many expressed hope that the degrees their children obtain will pay off some day. Some argued that, although there are not many job vacancies in the local community, a university ed-

FIGURE 2.14 Job Creation Is Crucial, but People Face Many Barriers to Access Economic Opportunities

Factors considered as the main aid in accessing productive job opportunities, by sex, percent of respondents who selected a factor among the top two.



Source: Data from 172 focus group discussions with adults.

education is useful if the individual migrates within the country or beyond. Many observed that employers prefer to hire university graduates even if the jobs they offer do not require the expertise gained in university.

“Everyone tries to provide higher education to their children so that they have more prospects for employment,” said an employed man in a village in Georgia. “Nowadays, finding a job is still hard for people with degrees, but we hope the situation will change.”

Even among those with education, much depends on their specific degrees or type of

education. It is often argued in many communities that a prospective worker with a vocational background will find a job more easily than a colleague with a university degree. Employment agency managers often declare that the most difficult to employ are individuals with low educational attainment and individuals with generic educational degrees or degrees in fields in which few jobs are available in the local community.

Obtaining a degree is challenging for many because of financial and nonfinancial barriers. For many, university is too expensive, especially given that it takes four or five years to obtain a university degree, compared with the

two years required in many vocational programs. This is partly caused by university tuition fees and partly by additional costs such as transportation and housing. Many focus group participants acknowledged that corruption also takes a toll: certificates can sometimes be bought by paying a bribe. Some people are also discouraged from completing university programs because of the low number of local places available and the persistent influence of nepotism in the labor market.

In addition, there are concerns related to quality: many stress that local universities do not offer good-quality education and that it is much more useful to study abroad.

Employers argued that standard school curricula may not optimally equip workers with the skills that are in demand and may not prepare individuals for a proactive job search, including initial networking opportunities. Although vocational degrees are generally cheaper and do not take as long to complete as university degrees, the types of jobs available to recent graduates of vocational programs are often less attractive among youth, even if the associated job security is greater. As with university degrees, some are discouraged from attending vocational schools because of the shortage of places or poor program quality.

Technical and soft skills are important in finding employment (figure 2.15). Among technical skills, expertise in computers and knowledge of foreign languages are viewed as areas of high demand. Vocational skills are also important if workers are specialized in a sought-after trade or sector. Soft skills are considered critical, including communication skills, networking skills, a sense of responsibility, a good work ethic, strong motivation, precision, and discipline.

Local employers confirm that the most challenging aspect of hiring good workers is their lack of skills, motivation and experience. Many local employers emphasized that vast numbers of individuals are looking for work, but few have the required skills and are sufficiently motivated

to become valuable employees. Those who do possess valuable skills often emigrate. By contrast, employers said less highly skilled workers are easy to find.

It's easy to find [workers], but it's hard to find workers who meet all the criteria we need. People, including youth and older individuals, are still living in the past... Back then, you could work, but didn't have to. How do these people behave? They're not complying with established procedures.

—Employer, Belgrade, Serbia

Given the limited supply of jobs in many locations outside main urban areas, employers and workers stressed the importance of strengthening business courses in curricula to foster entrepreneurship.

Most respondents believed there was no overall distinction between men and women in skill proficiency. However, women were generally considered better at language and communication skills and other soft skills such as teamwork, while men were thought to have an advantage in skills requiring physical strength such as construction. Respondents also stressed the importance of factors outside education, but related to human capital, such as good health.

Lack of networks and connections impede access to jobs

The role of connections, affiliation to political parties, and strong networks in generating opportunities for upward mobility through jobs is key. Examples abound across countries and shed light on how networks and connections influence the ability of people to obtain a job or increase physical or human capital. Although connections and networks can be positive for accessing economic opportunities, particularly in the presence of market failures, inequalities in access to those channels fuel discontent. These views are especially widespread in urban areas and in the Western Balkans, where

FIGURE 2.15 Technical and Soft Skills Are Especially Valued by Employers

Response frequencies among focus group participants, highlighted by share



Source: 86 focus groups with employed adult men and women. | **Note:** Keywords derived from responses by employed men and women to the question: "What kinds of skills do workers most need to get a job these days?" The results among men and women out of work presented a similar pattern.

unemployment rates are high. Connections matter not only for accessing jobs, but also to get well-paying jobs (figure 2.16).

“More ties, more work,” said a man in Kosovo.

“Jobs, that’s what you need connections for,” said a man in FYR Macedonia.

"Nowadays, it's very difficult to find a job without connections, whether through a political party or family ties," said an Albanian woman in FYR Macedonia. "Someone has to recommend you."

“You can’t apply if you don’t have connections or relatives,” said a jobless woman in a village near Vushtrri, Kosovo.

“Ten years ago, employers paid attention to knowledge, diplomas, and experience,” explained a knowledgeable community member of a village near Jalal-Abad, Kyrgyz Republic. “Now, one can get a job by pulling strings or paying money.”

“If you don’t have connections you simply won’t be hired,” confirmed a woman focus group participant in Ferizaj, Kosovo. “The alternative is to give a bribe to someone.”

“For sure, they specify the age in job vacancies,” said an employed woman in a village near Pristina, Kosovo. “Also, English is a priority, but, if you know the right people, then they won’t bother asking you about your age or your English or anything else.” And another one added

FIGURE 2.16 Connections and Networks Are Key Determinants for Accessing Well-Paying Jobs*Response frequencies among focus group participants, highlighted by share***A. Urban areas****B. Rural areas**

Source: : 86 focus groups with employed adult men and women. | **Note:** Keywords derived from responses by employed men and women to the question: “What kinds of barriers do workers face in hiring or promotion for mid-level and upper-management positions?” Experience refers to responses indicating that a lack of work experience poses a challenge. Connections refers to responses indicating a lack of connections is a barrier.

“The first requirement is membership in a political party”.

“Workers don’t have opportunities for promotion in the private sector because these are family businesses, and the management positions are for family members,” said an employed woman in Debar, FYR Macedonia.

In some communities, a sense of frustration is aggravated by the perception that job vacancies are fake, that is, the jobs that are advertised have already been filled based on the connections of the employers and bribes.

“Society has been formed in the way that you can’t breathe without a connection. It doesn’t matter which school you went to. If you don’t have a connection, it’s the same as if you didn’t finish school at all... You must be a member of a political party to get a job. Some individuals get in to universities overnight through the help of their relations, and they get a job because of political parties,” said a man in Bosnia and Herzegovina.

“Anywhere you go, connections matter, at a medical school or a kindergarten,” said a man in Kazakhstan.

“You need connections even to get into the hospital,” said a man in the Kyrgyz Republic.

Connections and social networks are not only about a shortcut to jobs, but also a source of information for making informed decisions on education and the labor market. In many communities, respondents said the greater availability of accurate information was important in accessing better opportunities, especially among women (see figure 2.13). Many declared that, if they could become more well informed about job opportunities, women would be more likely to pursue professional careers.

“Here, a big problem is that women are not so well informed as in Niš, for example,” said an employed woman in Serbia. “They came here and organized seminars and gave advice on how women should come together as in [a nearby

“The only way to get information about job vacancies is through people you know.”

—Woman in rural Georgia

town] and make goods for the German market: that was very useful.”

“The only way to get information about job vacancies is through people you know,” said a woman in rural Georgia.

Social norms keep many women out of productive jobs outside the home

Gender norms also mediate access to jobs and thus mobility, especially for women.

Many women referred to the need to redefine roles in the household so they are able to attempt to search for and find jobs, or get better jobs. In extreme cases, women equate family support with any permission their husbands may give them to work. Alas, men in more traditional communities often still refuse to allow their wives to work.

“If I want to work, it’s necessary to have my husband’s support,” said a Kyrgyz woman who was discussing the limited opportunities available to her and her peers to contribute to the upward mobility of their families.

“The main factor is pregnancy, children, and stuff like that... When a child is small and needs care, a minimum of one or two years is required. That’s why a certain percentage of women are left out of the labor force. On the other hand, some men are against their women working. Even if he only earns enough to buy bread and water, he will say, stay at home because I must earn the money,” said a man in Bishkek, Kyrgyz Republic.

“If a woman starts working, her household chores won’t get done. If she works from morning till night, her house will be deserted. Her husband, for example, will come home tired from the field. If she’s still working at a shop, there won’t be any food on the table. Imagine what that would be like,” similarly expressed an employed man in a village in Kazakhstan.

“It’s a small town,” explained a jobless woman in Debar, FYR Macedonia. “Sometimes, even if a woman has ideas, the social norms prevailing in the community will cause her to give up her ideas.”

Through work, anything can be accomplished, but, if people don’t have work or can’t find jobs, then it is difficult [to move up]... On the other hand, for women, it is difficult because of the social norms, the mentality of society, and the gossips.

—Woman, village near Tetovo, FYR Macedonia

I have experienced this [mentality]... [I received a job offer:] the job was in Gayrettepe; there were a lot of perks, too. I came home, and [my husband and children] started saying, “you are going to wake up in the morning at 6–7, come back at 12,” and so on. Then, I thought I would start my own business. Why not? “You cannot manage,” [my family said.] My kids, on one side (I have three sons: 28, 25, and 16 years old), were against my idea altogether. My husband was in the same mood, too. On the one hand, I was so excited about it... I thought, I can cook dishes, manti [dumplings], and so on. The idea was so exciting. But they discouraged me. Without their support . . . I became so discouraged; would I be able to do it?

—Woman, central Istanbul, Turkey

In some cases, women stressed that they actually preferred to be housewives, but, more frequently, both men and women stated this was simply the norm in society. Especially in communities beyond major urban areas, families see a trade-off between women working but earning a low salary and the threats to traditional norms and values that would come with the woman

working outside the home. As a result, many men still see employment, including entrepreneurship, as only a last resort for women (box 2.3).

Such norms also affect the resources available to women for productive activities, such as start-up capital for a business, access to training, and other forms of support in their communities. Likewise, the traditions related to inheritance are often biased in favor of men, and women are sometimes not allowed to inherit. It is often stressed that women are not expected

to continue their schooling as long as men and that women should only pursue certain subjects, such as teaching.

The good news is that, in many communities, norms are beginning to change.

“We’re no longer facing the stereotypes of the past,” declared an employment agency representative in an ethnically Macedonian community in Skopje, FYR Macedonia. “We now have men who are working in the textile industry as tailors.”

BOX 2.3 Gender and the Impact of Social Norms on Entrepreneurship

Men engage in entrepreneurship more often because social norms dictate that this is not an appropriate activity for women.

When asked why entrepreneurship is much less common among women, many men and women emphasized the views of their communities that women are not fit to run a business. Some also stressed that women are more risk averse than men and that they are not tough enough.

“Only if she is really out of options, if her husband is deceased or something like that,” answered an employed man in a suburb of Istanbul when asked why few women start their own businesses.

“You can’t open a business if you have a husband, two children, and so many household duties,” said an employed woman in a suburb of Foča, Bosnia and Herzegovina. “It won’t work, at least not here.”

“It is mostly the mentality of society,” said an employed man in a village near Pristina, Kosovo. “There are cases of women leading firms,

but the names of their husbands are on the documents.”

Social norms discourage entrepreneurship among women in both more well off and less well off communities.

In some communities, respondents stressed that, though there were jobs available for women, many women were either accustomed not to have to work if their husbands could work, or faced great pressure not to work from their husbands or families. Even if husbands supported their wives in the desire to work, the rest of the community may not have done so.

“Women who are smarter than men may be insecure about starting a business, and they don’t have the support of the local society,” said a man in a suburb of Vitez, Bosnia and Herzegovina.

“Society actively discusses women,” said a woman respondent in a village near Ghafurov, Tajikistan. “[People] pay attention to everything [women do], and especially neighbors intervene in the affairs of other families.”

“I think, in the past 10 years, more women have started to run businesses, which is totally okay because they deserve it,” stated a man in rural Kosovo.

“Our tradition is that larger enterprises and more production offer more opportunities for men. Trends are changing. Computers and new technologies are included in production and in all other sectors. So, most jobs aren’t so physically demanding, and women can do them as well,” expressed an employment agency representative from a village in central Serbia.

“Regardless of their circumstances, women weren’t free in exercising their rights 10 years ago. But, nowadays, we have more openness, and secondary school is mandatory, which has influenced the education of women, but also men,” said an employed woman in a village near Tetovo, FYR Macedonia.

Even when women work, they face a labor market that does not see them fit for certain occupations. Across both well off and less well-off communities, respondents highlighted that opportunities to find employment may be equal among men and women in aggregate, but that there was a sectoral and occupational divide. Men were preferred by employers for physically demanding work, while women were popular in activities such as tailoring and housekeeping and in services generally. These patterns also affect wages, and traditional gender norms, although seen as less important than a decade ago, still exert an effect beyond occupational segmentation.

Men earn a little more. That’s what I hear from people when they come here. Men can do harder physical jobs, which are paid better. Therefore, the type of job affects the wages. If a man and a woman are employed in the same position at a supermarket, the man will have additional responsibilities. He’ll have to carry more and load and unload goods, and he’ll be financially rewarded for that.”

—Employment agency manager, urban Serbia

Approximately 90 percent of business deals are settled in restaurants or bars. Those aren’t suitable places for women, especially not in this kind of environment. You’d be labeled immediately, that you’re not a good housewife, that you’re this or that, that you should stay at home and not be out at bars.

—Woman in urban FYR Macedonia

Despite progress, traditional social norms are slow-changing.

“Much more time must pass so that women can progress,” said a woman in an ethnic Albanian community in Debar, FYR Macedonia. “There must be awareness raising on business possibilities among women.”

“If a woman goes to the rayon [district] center on business and comes back late at night, it will be hard for her to explain to her husband that she was on a business trip,” said a woman in a village near Shymkent, Kazakhstan. “And men go on business trips.”

In fact, social norms that still dictate that women are the main household and family caretaker, make it hard for women to combine family and work outside her home.

Beyond overcoming social norms ingrained in families and communities, from the perspective of employers, it often becomes unattractive to hire women with young children because they may request time off much more often than men. The discussions made clear, in fact, that, in the informal sector, women during their childbearing years are extremely vulnerable to losing their jobs or being obliged to accept a pay cut upon becoming pregnant or giving birth.

“There are lots of cases of women who used to work getting married, and, if she decides to have a child, nobody will keep her job for her,” said a Georgian woman. “She’s doomed to lose her job.”

“Preschool is too expensive. My wife would give her wages to the preschool; so, it’s not worth it for her to work. That’s why women sit at home and take care of the children.”

—Employed man in urban Bosnia and Herzegovina

Women [with jobs] work outside till 7–8 pm, then come home, tend to the children, clean, cook, and so on. At least, [the husband could] help around the table, at least remove your own plate for God’s sake. No, some don’t even do that. Are we the women not also human beings?

—Employed woman, central Istanbul, Turkey

Working conditions are hard. Work hours in the private sector are long, up to 12–14 hours. She would not be able to do her housework because she gets home so late.

—Employed man, Mardin, Turkey

There are fewer jobs available for women. My husband is an engineer, and his company employs mainly young men. It is risky to employ a young woman because women must take care of children, and, if the children become sick, the women won’t be able to come to work.

—Employed woman, village in central Serbia

“They have duties given by nature, which include giving birth and bringing up the children,” said an employed man in Osh, Kyrgyz Republic. “And they’re also physically weaker.”

“Women have worse prospects because mentality, family, and children prevent them from being hired,” explained an employment agency manager in a village near Jalal-Abad, Kyrgyz Republic.

In this context, a lack of affordable, high-quality childcare and day-care facilities and family support are important barriers to obtaining jobs, especially among young women (see figure 2.14). Fifteen percent of women respondents cited better day-care options as the key measure that would help them access jobs; a similar share mentioned greater family support as their main need. Many respondents said preschool and day-care facilities did not even exist in the local environment, obliging women with small children to stay home.

I have a small child: my wife doesn’t work. Why? Preschool is too expensive. She would give her wages to the preschool; so, it’s not worth it for her to work. That’s why women sit at home and take care of the children.

—Employed man, urban Bosnia and Herzegovina

“The salary would have to be greater than the income from the farm,” said a woman focus group participant in a village near Telavi, Georgia. “It should be worthwhile for women to leave their homes to work, but, because salaries are so small, women do not look for jobs.”

“Why would women go to work?: the wages are from KM 400 to KM 500–KM 600 [€200–€300],” said a woman in a suburb of Sarajevo, Bosnia and Herzegovina. “It’s not worth it to work if you have a child and need to pay a woman to take care of the child.”

“The children are a problem because we don’t have anywhere to send them, and it would be wrong to send them to another town or village,” said a woman in a village near Tetovo, FYR Macedonia. “On the other hand, men as fathers do not care so much about the accommodations of children.”

A clear divide emerges between urban and rural environments in the availability and accessibility of childcare. In urban environments, childcare centers rarely have sufficient space to



meet the demand, can be prohibitively expensive, and sometimes operate during limited hours, thereby posing significant restrictions on parents, mainly mothers, to engage in paid employment. In rural environments, availability itself is the main challenge. If kindergartens do exist, they are often far away and thus represent added costs and time constraints because of the necessary travel.

In a number of instances, social norms, combined with the lack of affordable childcare, lead to outright discriminatory practices.

Across the region, it is not uncommon to hear stories of how women are questioned about their marital status and family situations when they are applying for jobs or that they are obliged to sign agreements on these matters. Men are not asked such questions.

“When he’s employed, no man has to sign a contract stating that he won’t have children,” declared an employed woman in Sveti Nikole, FYR Macedonia. “That’s not the case of women.”

Weak incentives to work may play a role in promoting inactivity

Another obstacle to employment in the region appears to be the weak incentives to work.

Previous quantitative evidence has highlighted the potential role that taxation, social protection benefits, and migration can play in discouraging formal work.³³ Taxation does seem to be a relevant policy lever, although it may be more important in decisions on whether to work in the formal or informal sector rather than in decisions on whether to work at all.

Beyond taxation, the design of social assistance can further affect employment decisions. Finding a temporary paid activity, including a week of agricultural work, can disqualify households from receiving social assistance. Because ob-

taining a job may result in the loss of social benefits, the availability and scale of social benefits may represent a potential disincentive to work in the formal sector. If social assistance authorities discover that a recipient is working, this may disqualify the recipient from the assistance program even if the recipient’s salary is low and does not result in a meaningful change in household welfare.

With this program, a family of five people has to depend on GEL 100. We have to work secretly in temporary jobs. Many people write the names of their neighbors on the employment forms so that they do not become ineligible for benefits.

—Jobless woman, village near Telavi, Georgia

“You need to work, of course,” said a jobless woman in a Roma community in FYR Macedonia. “The money you receive from social assistance is far from enough.”

“Thousands of people have lost social assistance because they worked for two months,” said a social worker in Georgia.

“Often, such people are forced to forgo any work possibilities out of fear of losing social assistance for the entire year,” agreed a colleague.

“There are cases of people who are forced not to work because, if they hear that you have a contract or you are working somewhere, you have to give them back all the social assistance that you received,” explained a jobless woman in Ferizaj, Kosovo.

However, social assistance benefits are often unstable, not generous, and, hence, insufficient as a sole source of household income.

Especially in less well-off communities, respondents claimed that hardly anyone would want to depend on social assistance if they had a choice. The benefits are small; they eventually expire; and a household can easily become ineligible because of a change of address, overall family income, or the acquisition of assets. Moreover,

³³ Arias et al (2014).

because the benefits are generally too low to sustain a household without additional sources of income, many recipients of these benefits try to find work (See spotlight 1).

Finally, in communities from which migration has been substantial, the possibility of working abroad or the remittances from family members outside the country can discourage employment. Some men work abroad part of the year and do not bother searching for work during the months spent at home because they know they will soon return abroad.

“Here, people who don’t have jobs usually have remittance income from abroad,” said an employed man in a village near Vushtrri, Kosovo. “So, they’d rather rest, take the money, and not work.”

“The other thing is the fear that, if they start to work, maybe those in the diaspora won’t send them money anymore,” said a woman focus group participant in the same village.

“If someone’s providing for him, he probably doesn’t want to work,” admitted an employed man in a suburb of Sarajevo, Bosnia and Herzegovina.

Moving forward: broadening policy instruments

When asked to identify specific factors that would help increase the opportunities among men and women, respondents in communities across the region pointed to three areas: education and skills, job creation, and assistance in starting a business (figure 2.13). Women also frequently mentioned their need for support from family members so they could work.

These three areas correlate with those identified in quantitative studies, but the qualitative evidence gathered for this report points to a more comprehensive policy agenda. Pre-

vious studies have analyzed key barriers to job creation and some of the specific obstacles faced by women, youth, older workers, and the less highly skilled in accessing better opportunities to climb the ladder of life.³⁴ However, they lack an important ingredient: the voices of people in the region. The testimony of witnesses in rich and poor communities and in growing and declining areas can shed light on the more subtle barriers to employment, barriers that—as this report shows—can often be the most relevant in shaping perceptions and aspirations. This chapter underscores the economic and social problems people face in gaining productive employment, especially problems related to aspirations, social norms, and connections, which are often largely outside the control of individuals and on which quantitative data are often lacking.

As a result, the voices in the region can be heard calling for more comprehensive policy instruments—an updated toolkit—to confront the barriers to the expansion of the middle class.

Some of the barriers identified through this process are already well known to policy makers, including insufficient job creation and lack of relevant skills. The instruments to address these constraints are part of the customary toolkit in the jobs agenda. Yet, many other barriers, especially those that affect specific segments of the population, are often ignored in the design of policy responses to the jobs challenge. Three underlying barriers are particularly relevant: a mismatch between aspirations and reality, social norms that directly or indirectly limit the participation of individuals in the world of work, and the critical role of unequally distributed social and professional connections that serve as the main gateway to good jobs. Learning from the limited, albeit growing, evidence on interventions that can help address these barriers is therefore a key next step in making the jobs agenda more inclusive and jobs in the region more conducive to improving shared prosperity.

³⁴ For example, see Arias et al. (2014).



FYR Macedonia. Photo© World Bank



Serbia. Photo© Nomadbeg/Dreamstime.com

SPECIAL TOPIC

Jobs and Shared Prosperity: Youth's Perspectives

The education we receive and the skills we learn are poor relative to what is required to meet the responsibilities of the available jobs.

—Young Woman, Tajikistan

I don't know how I'm going to get work experience if it's impossible to have the chance to gain it.

—Young Woman, Kosovo

What about the next generation? Young men and women in Europe and Central Asia have higher expectations about their job prospects compared to the older generation. It is also striking that youth still look for jobs, mostly in the public sector, resembling traditional jobs in pre-transition times. However, they face a number of challenges in finding employment or setting up a business. Young women and men face hurdles that are either unique or more marked among youth than among adults, including lack of experience, lack of access to information on labor market prospects, lack of effective networks, and lack of access to productive inputs such as land and credit. A notable barrier among young women is the lack of affordable, trustworthy childcare facilities, besides social norms and traditions that prevent women from searching for and finding employment. Young people in the region think that the greater availability of jobs, more training, better information about vacancies, access to loans and day-care services, and family support would improve their chances to overcome these barriers.





Understanding the youth employment challenge: facts and dimensions

Youth employment and participation in the labor market are crucial to achieve sustainable growth in the region.³⁵ Yet, youth face particular difficulties in accessing productive employment. Early experiences of unemployment or bad matches between skills and jobs have consequences on an individual's future working life. Youth unemployment can lead to long-term unemployment and lower earnings.³⁶ The earnings penalty may be as high as 20 percent relative to young people who find appropriate jobs early, and the earnings deficit can persist up to 20 years. These long-term effects can be a result of a deterioration in skills, intermittent work experience, and employer's perceptions that these workers will not be productive.³⁷ In addition to the economic consequences, idleness at a young age may jeopardize happiness, job satisfaction, and health for many years³⁸, with potential implications for social cohesion.³⁹

Young labor market entrants today are in many respects more well prepared than previous generations for a modern labor market. Across many countries in Europe and Central Asia, they have higher educational attainment than older workers. This is particularly true among young women in countries such as FYR Macedonia, Poland, and Slovenia, indicating an expansion in, especially, tertiary education in the last few decades.⁴⁰ Social norms around the role of women in the household, in the labor market,

and in society overall have also evolved. Today's youth have been born and raised in societies that are more open to the outside world, more well integrated in global value chains, and more well adapted to new technologies.

This chapter explores young people's perceptions and insights about jobs in their communities and the barriers they encounter in the effort to get ahead. The aim is to present a thorough picture of the employment challenges young people face, from their perspective. The chapter is based on focus group discussions with young adults (18-25 year olds) in all countries where adult focus groups were conducted, except Georgia and Turkey. The chapter examines issues such as why youth employment is crucial for shared prosperity, what young people think good jobs are, how youth believe they can get ahead in their communities, how they view economic opportunities and prospects, and the barriers they face in looking for and finding jobs.

There is a lot of untapped potential among youth in Europe and Central Asia

Unemployment and inactivity have historically been greater among youth than among adults. This challenge was exacerbated in the region following the global economic crisis. The crisis led to large employment losses and a substantial rise in unemployment (by as much as 20 percentage points among youth in some countries).⁴¹ Youth employment rates remain low, and persistent unemployment continues to be a key challenge in the region.⁴²

Almost 20 percent of youth in the region are not in education, employment, or training (NEET).⁴³ Many young people (aged 15-24 years) can be expected to be in school; yet in the re-

³⁵ Youth in this chapter refers to 15- to 25-year olds. The participants in the focus groups during the qualitative surveys ranged in age from 18 to 25.

³⁶ Kahn (2010); von Wachter, Song, and Manchester (2009).

³⁷ Morsy (2012).

³⁸ Bell and Blanchflower (2011); Dean (2013).

³⁹ World Bank (2012).

⁴⁰ Arias et al. (2014).

⁴¹ World Bank (forthcoming).

⁴² Arias et al. (2014).

⁴³ Mauro and Mitra (2015).

FIGURE 3.1 Around One Young Person out of Five is not in Employment, Education or Training (NEET) in the Region

Youth (15–24) NEET rates in the region, by sex, latest available data, %



Source: Mauro and Mitra 2015.

gion, many of them remain idle as they are not working nor acquiring skills (figure 3.1). This is likely to lead to greater detachment from economic life, labor market marginalization, and social exclusion.

In most countries in the region, young women are at a greater risk of being out of work and out of school or training.

Figure 3.1 shows that 18 percent of young men and 21 percent of young women are NEET. The variation across countries and between the sexes is substantial. In Tajikistan, half of women ages 15 to 24 are NEET, whereas, in the Russian Federation, the NEET rate for young women is only 9 percent. The NEET rates among young men in the region range from 10 percent in the Kyrgyz Republic to 31 percent in Moldova. The largest gender gap within a country is observed in Turkey, where 17 percent of young men and 43 percent of young women are NEET.

Young women are particularly likely to be out of the labor force.

Although the gender gaps in labor force participation in the region are wider among adults, young women's labor force participation rates are much lower than young men's in all countries in the region except Azerbaijan. Central Asian countries show relatively higher labor

force participation rates among young women, ranging from 33 percent in Turkmenistan and Uzbekistan to 44 percent in Kazakhstan in 2013. The range in the Western Balkans is from 13 percent in Kosovo to 30 percent in Albania. This means that young women face two disadvantages, one because of their age, and another because of their sex.

Among those who are looking for a job, many have difficulties finding one.

The average youth unemployment rate in the region is 22 percent, which is more than twice as high as the overall unemployment rate of, around 10 percent.⁴⁴ The difference between the youth and overall unemployment rates is the smallest in Central Asia. In the Western Balkans, the picture is completely different. Data for 2013 shows that in Bosnia and Herzegovina, the youth unemployment rate was 60 percent, while the overall unemployment rate was 28 percent. In Kosovo, the rates were 55 percent and 31 percent,⁴⁵ respectively, and, in FYR Macedonia, they were 52 percent and 29 per-

⁴⁴ Based on World Development Indicators and KILM (Key Indicators of the Labor Market, International Labor Organization).

⁴⁵ Data for Kosovo is for 2012.

cent, respectively. This means that young people are often in a particularly vulnerable position in terms of their labor market prospects.⁴⁶

Jobs as a pathway for upward mobility among youth

As with adults, young women and men believe new and better jobs are the most important factors to get ahead (figure 3.2). Among adult women, 56 percent chose this option, while the rate was 44 percent among young women. The gap between the two age groups is similar for men: 50 percent of adult men and 42 percent of young men selected “new and better jobs” as a key mobility factor. This is followed by good connections, with 26 percent of young women and 30 percent of young men listing ‘Connections’ as a significant factor in getting ahead in their communities (figure 3.2).

“What matters in our society is good connections. Otherwise you can’t get a normal job. Nobody will ever take you on” said a young woman from Kazakhstan.

The priority given to education and training as a factor in getting ahead is the most remarkable difference between the generations of men and women. Around a third of young men and young women think education and training together represent one of the two most significant factors in getting ahead, while only 15 percent of adult men and 13 percent of adult women agreed. This might have to do with the expectations for the future between these two age-groups. Since there are usually limited lifelong learning and training opportunities among adults, and, considering their age, adults might look for other ways to get ahead. “To get new and better jobs, people need good,

high-quality education,” said a young woman in Tajikistan. “When they have them, their salary also goes up.”

Migration is considered important by youth, although less so than by adults. 18 percent of young men consider migration as a top factor, vis a vis 27 percent of adult men (figure 3.2). This might mean that, people lose their motivation to stay in their own country as they grow older or as they witness others do better as a result of migration, or because youth face additional (financial) constraints that limit their possibilities to migrate. Similarly, among women, the importance of migration is different among youth (11 percent) than among adults (19 percent) (figure 3.2).

There are important differences in perceptions of what matters most to get ahead between young men and young women. All youth, regardless of sex, location, and socioeconomic status, consider jobs as the most important factor in upward mobility. Good connections, ownership of a new or growing business, and migration are more important among young men, while young women place greater value on education and training, family support, and attitude. This is in line with perceptions of older adults (chapter 2). Ownership of a new or growing business is listed as an important factor in upward mobility by 21 percent of young men, but only 7 percent of young women. Among young women, 24 percent mentioned family support as an important factor, while the share was 14 percent among young men.

[You need family support] because you are not independent. If you have your own job and apartment, then it’s a different story. We depend on our families. Abroad, the state helps young people a lot in these matters.

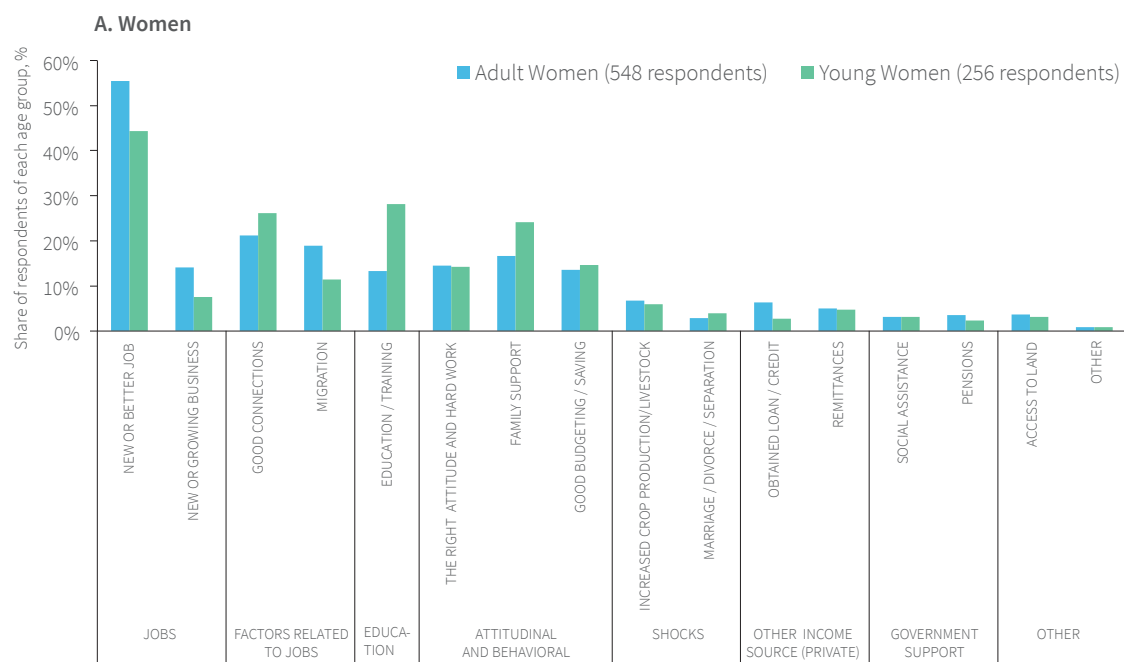
—Young woman in Kosovo

Youth have higher expectations from a job, but are willing to give up some job security. Men and women of all ages mentioned a good

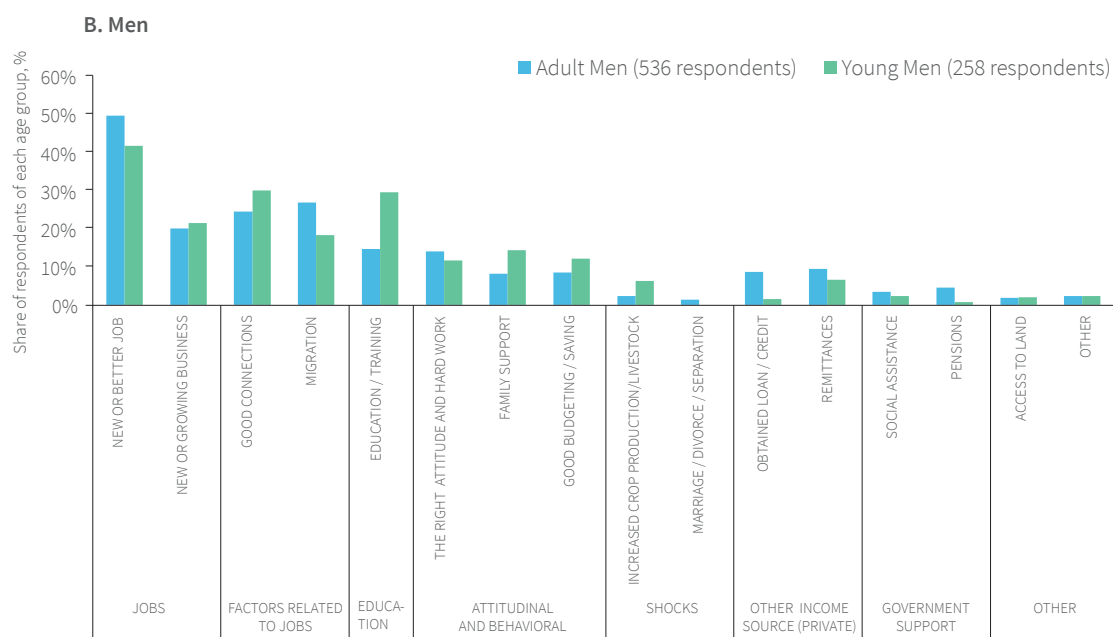
⁴⁶ World Bank, forthcoming.

FIGURE 3.2 While Better Jobs and Having Connections Are Crucial, Youth Are More Likely than Adults to Link Education to Upward Economic Mobility

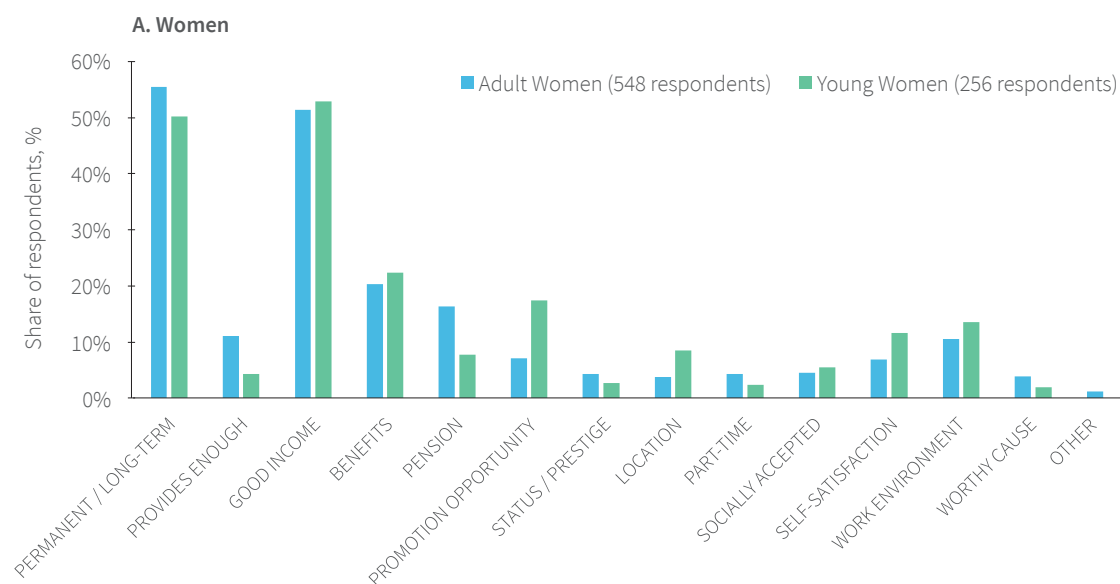
Factors to get ahead in the community, by age-group, % of respondents who selected factor among top two



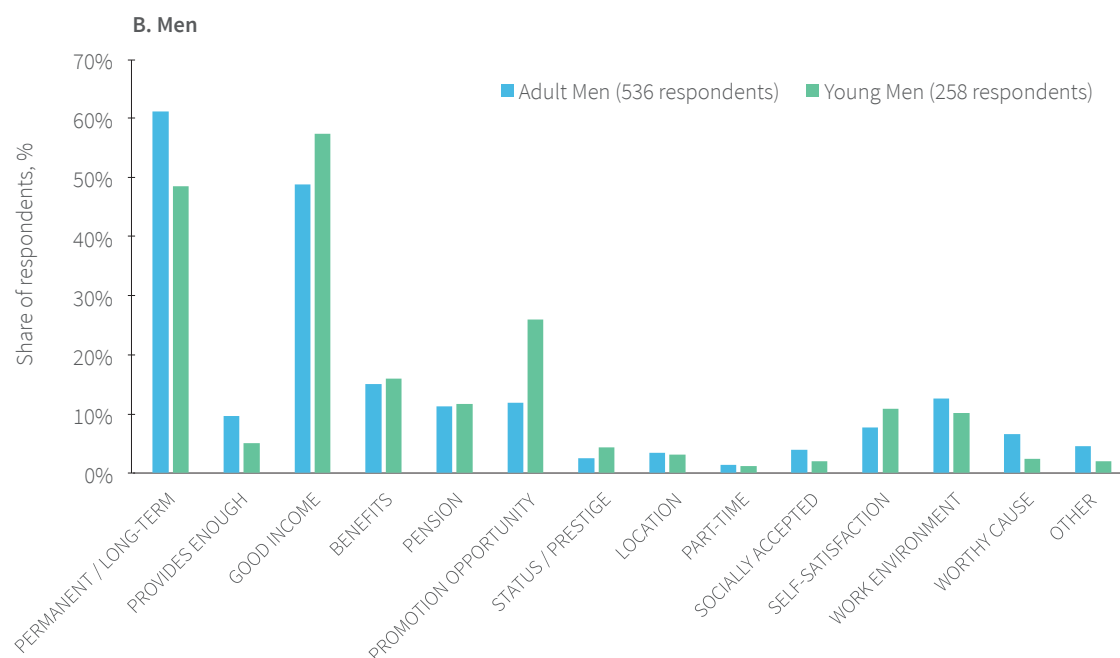
Source: 90 focus group discussions with employed and jobless female adults and youth in Bosnia and Herzegovina, FYR Macedonia, Kosovo, the Kyrgyz Republic, Serbia, and Tajikistan.



Source: 90 focus group discussions with employed and jobless female adults and youth in Bosnia and Herzegovina, FYR Macedonia, Kosovo, the Kyrgyz Republic, Serbia, and Tajikistan.

FIGURE 3.3 Youth Have Higher Expectations from a Job, But Are Willing to Give up Some Job Security*Preferred characteristics that are most important in seeking a job, women, by age-group, % of respondents*

Source: 90 focus group discussions with employed and jobless female adults and youth in Bosnia and Herzegovina, FYR Macedonia, Kosovo, the Kyrgyz Republic, Serbia, and Tajikistan.



Source: 90 focus group discussions with employed and jobless male adults and youth in Bosnia and Herzegovina, FYR Macedonia, Kosovo, the Kyrgyz Republic, Serbia, and Tajikistan.

income and stability as the most important characteristics of a job, but other factors were also considered important. More than half of all men and women believe a good income is one of the two most important features of a good job. A good income means “a lot of possibilities to buy something other than the basic supplies, sustenance, clothes, a vacation,” said a young woman in Bosnia and Herzegovina. Yet, there are clear differences in preferences across generations. Young men and women put more emphasis on the opportunity for promotion, while among adults this is lower. Non-pecuniary benefits also have a higher priority among young workers. A good working environment, a convenient location, and self-satisfaction seem to be also more important for youth than for adults (figure 3.3). At the same time, youth put less emphasis than older workers on having a permanent contract and job stability. For example, around 61 percent of adult men said stability is one of the two most

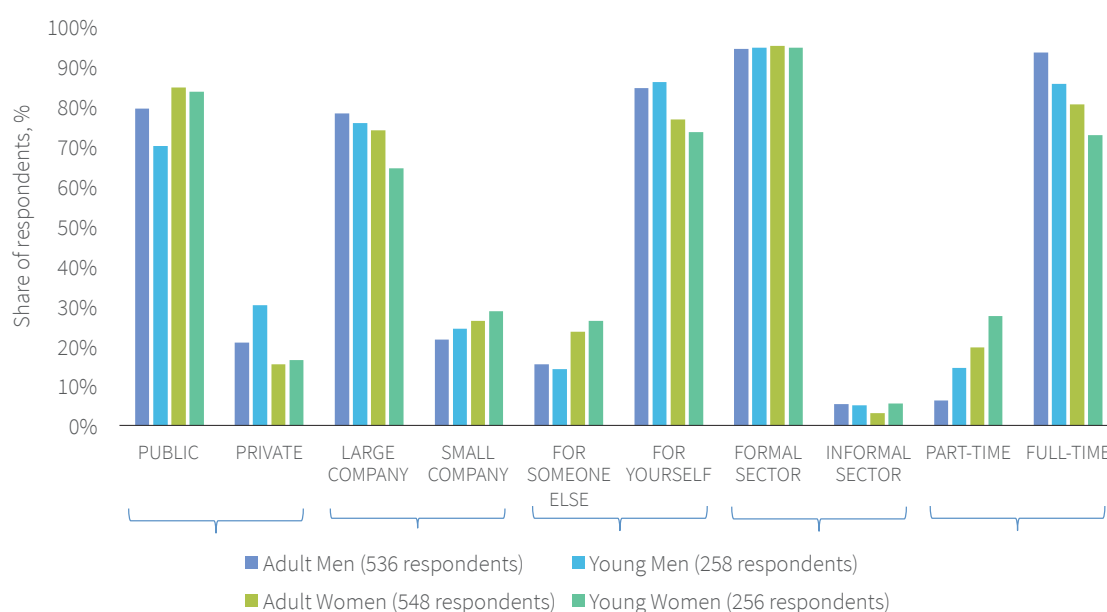
important features of a good job, while, among young men, the share was 48 percent. These differences in perceptions were echoed also in the open discussions in the focus groups. This might be because young people are more comfortable with more flexible work arrangements or because they know how hard it is to obtain permanent jobs.

Nevertheless, it is remarkable how stable job preferences are in the region across generations (figure 3.4). A majority of young respondents across all subgroups preferred to work in the public sector, which is perceived to be more stable and secure. The shares were 70 percent among young men and 84 percent among young women.

“A public sector job is stable; we all need that,” said a young woman in Kazakhstan. “It provides employees with records of service and social

FIGURE 3.4 Most People Prefer Full-Time Formal Jobs in Large Companies or in the Public Sector

Preferred characteristics that are most important in seeking a job, youth and adults, by sex, % of respondents



Source: 180 focus group discussions with employed and jobless male and female adults and youth in Bosnia and Herzegovina, FYR Macedonia, Kosovo, the Kyrgyz Republic, Serbia, and Tajikistan.

Note: Each focus group participant was asked to choose their preferred job among two mutually exclusive options.

contributions.” Among adult men, 79 percent preferred public sector jobs, while 70 percent of young men showed the same preference. In general, women have a stronger preference for public sector jobs compared with men, and this preference does not change with age: 85 percent of adult women and 84 percent of young women said they preferred public sector employment.

Across sex and age groups, participants exhibited a strong preference for formal sector jobs: around 95 percent among young and adult men and women. Among young men, 86 percent preferred to work full time, while the share was 73 percent among young women. Among young women, 27 percent preferred part-time work, while the corresponding share was 20 percent among adult women. Younger women are more open to working part time, possibly because of the flexibility such an arrangement provides to accommodate household and childcare responsibilities that still fall mostly on women.

Youth-specific barriers to employment and ways to improve employability

As with adults, lack of labor demand is seen by youth as the main barrier for getting a job.

This seems to be a more pronounced issue in the Western Balkans, although it comes up consistently throughout. The lack of jobs seems to be a bigger problem in rural areas. Urban areas are not immune to the issue, but large companies, political parties, and the public sector offer more opportunities that are attractive to youth in urban areas.

[It's difficult to find a job] because there are no jobs at all. There are no jobs where a worker and his rights are protected. Salaries are low. You can compromise your health, but get nothing else.

—Young man in Bosnia and Herzegovina

“There are no new job openings. We're all ready to work, but nobody needs workers.”

—Young man in FYR Macedonia

However, young people face particular barriers to employment, especially related to skills, access to productive inputs and networks.

In terms of skills, it is not merely that young people are not sufficiently well educated, but that their education and skills do not match the demands of the labor market. The quality of the education young people obtain in school is considered poor, and the resulting skills are viewed as irrelevant to the labor market demand. Young people believe that the kind of skills they require nowadays to obtain a job include skills in computers, foreign languages, communications, team work, and problem solving, in addition to basic skills learned in formal education. The combination of these skills is needed to smooth the transition into working life, and the absence of these skills is perceived as a serious obstacle to employment.

“It is a real problem that, after receiving an education, you have no experience,” said a young man in the Kyrgyz Republic. “For example, you've got an education, a specialty, and you know the theory, but you don't know how to apply it in practice.”

“We learned nothing in high school, nothing practical,” said a young man in Bosnia and Herzegovina. “My school was not useful to me.”

“Education has to be more closely related with the professions and trades so we can have some practical skills,” said a young man in FYR Macedonia.

“I think, in our time, education is more difficult because we can't learn about the practical sides of our subjects,” said a young man in Kosovo. “We had no labs; so, we were able to study only the theory of specific subjects.”

The mismatch between the skills of youth, coupled with the expectations of employers that job-seekers have previous work experience, seems to be a major barrier to employment among youth. After completing their education, young people face difficulties finding a job because of their lack of work experience. Young people view this expectation as contradictory: it is not possible to have work experience as first-time job-seekers. They also believe they do not possess sufficient practical knowledge that could count toward the requirement for experience when they start looking for a job.

Everyone needs an experienced worker with at least two or three years of experience. How can we have experience if we just started seeking a first job?

—Young woman, Kyrgyz Republic

Work experience is expected even if you're applying for your first job, I think this is the biggest problem.

—Young man in Serbia.

Employers are looking for experience among prospective employees, but they don't give a chance to the inexperienced to prove their abilities. In almost all the advertisements, it's emphasized that you need experience for the job, but you can't get experience if no one will employ you.

—Young woman, FYR Macedonia

Employers and employment office representatives agreed that the reason young people are not hired is mainly their lack of experience. "Absence of job activity or experience [is] the reason why many employers try to teach them about production so that they have some skills," an employment agency official in the Kyrgyz Republic said. "It's difficult for youth to be employed without any experience."

They completed some level of education and don't have any work experience. They don't even have any relevant training. So, the government

must dedicate more effort in training in education because practical application in education is poorly represented, and this is an obstacle to employment.

—Employer, FYR Macedonia

Youth, especially youth who want to become entrepreneurs and start their own businesses, are hindered by a lack of access to productive inputs such as land, collateral, and credit. In the course of the discussion, to understand the perceptions of youth about this topic, young people were presented with the hypothetical case of a young married woman who is poor, who has a high school education, but little work experience, and whose husband cannot find a stable job. The young respondents were asked how difficult it would be for the woman to open a small grocery store and how their answers might change if the young woman were a young man.

The young respondents seemed to believe that becoming an entrepreneur would be challenging without access to money, land, or bank credit. However, they also felt that obtaining a loan would be nearly impossible without work experience, support from their families, or money.

"If she's not employed, where will she get the money?" asked a young woman in Serbia. "No bank will give you a loan if you're not employed and don't earn above SRD 30,000 a month."

"It would be difficult to convince the bank to give her a loan," said a young man in Kosovo. "Furthermore, the interest rates are too high, and, if she fails, she would not be able to pay the money back."

When the question is repeated, but, instead of a young woman, a young man is the one who wants to open the store, the statements about the difficulty remain similar. Young people believe it is difficult to start a business, regardless of their sex, without access to money, land, or credit.

“Nowadays, it’s difficult to open a business for men or women,” said a young woman in the Kyrgyz Republic. “It’s all about the money and documents; there’s a need for money to buy goods and for the necessary documents.”

Personal and professional networks and connections, which youth often lack because they have little experience and exposure, are considered key entry points for jobs. Statements such as the following are common.

“If you’ve got no connections, you won’t get a job anywhere,” said a young man in FYR Macedonia.

“If you don’t have any connections, you can get degrees from six colleges and still find no job,” said a young woman in Bosnia and Herzegovina.

“What matters in our society is good connections or good money,” said a young woman in Kazakhstan. “Otherwise, you can’t get a normal job: nobody will ever take you on.”

“Those people who have good connections skip up the stairs,” said a young man in the Kyrgyz Republic.

Today, to get any type of work, regardless of whether you need education or not, you need a connection. People in my surroundings have found work via connections: paid connections or family connections. If you have a paid connection, you pay for the workplace. You pay a few thousand euros to get a job. I know a guy who paid €6,000 for a permanent job. Also, there’s employment with a political party.

—Young woman, Serbia

Lack of relevant information about job vacancies, salary levels, and the expectations of employers is another substantial barrier that discourages young people from looking for work. Young people have difficulty understanding where and how to look for jobs. Their inexperience and weak networks make it hard-

er for them to find jobs. Most young men and women mention relying on advertisements in newspapers, various websites, and the employment agencies in their communities. However, the advertisements are not considered accurate or sufficient by most respondents for determining the suitability of the jobs or if they want a particular job.

“I think better information would be helpful,” said a young woman in Kosovo, “such as organizations going to villages to meet with all women, organize them also, give them information, and tell them about various opportunities.”

Information about employers is insufficient. I’m not sure where we could get more information about vacancies other than shop windows, for example. The employment bureau has information nobody needs.

—Young woman, Serbia

Weak connections and lack of information are interrelated. Just as it was voiced by adults, young people say there is not enough information about job vacancies because people get jobs through connections. The following is an exchange on this topic during a focus group among young women in urban Serbia.

Participant 1: “The information about vacant positions is unavailable mainly because these positions are being saved for people with good connections.”

Participant 2: “Job vacancies are simply a formality; it’s usually well-known who’s going to get the job.”

Social norms mediate and exacerbate these barriers to economic opportunities, affecting women in particular. One of the most prominent patterns emerging during the focus group discussions was that, in the job search, social norms and traditions affect women much more than they affect men—in some respects even



Tajikistan. Photo© Nozim Kalandarov/World Bank

more so among youth than older generations. Physical appearance was mentioned frequently as an advantage among young women while seeking a job. Not only men, but also women have this impression. In the narratives, it was emphasized repeatedly that it is difficult for young women to find jobs because childcare and household responsibilities fall exclusively on them, their families or their husbands do not allow them to work, employers discriminate in hiring based on women's marital or family status, or they are perceived to be unable to perform certain types of jobs. Family responsibilities such as childcare seem to be an important barrier. In some cases, there are no services available; in others, the available services are not trusted, not affordable, or not convenient in terms of location, distance, or hours.

Some young women seem to have internalized some of the social norms that are effectively a barrier to employment, while others push hard against such normative obstacles. There are hundreds of respondent statements that could serve as illustrations of how social norms affect women.

"They interrogate me: if I'm planning on getting married, if I'm married," said a young woman in Serbia. "They don't hire women who are married or who are planning to get married soon."

The young woman's family or her husband might be displeased with it. Even if a young woman has a diploma in higher education, her husband may not allow her to work. Our village preserves and respects old customs according to which a young woman must stay at home and take care of the household chores... It's a shame on the family if a wife works, while her husband stays home.

—Young woman, Kazakhstan

They don't want to hire women because they think women will get married. They mostly hire experienced women who have children and will not take maternity leave. Women can't take maternity leave here. They would get fired immediately.

—Young woman, Bosnia and Herzegovina

The way social norms are internalized by society, including women themselves, can be observed in the following exchanges:

Participant 1: "For him it would be easier than for a woman."

Participant 2: "Men have some sort of entrepreneurial talent that is inherent in their nature. This is why it's easier for them."

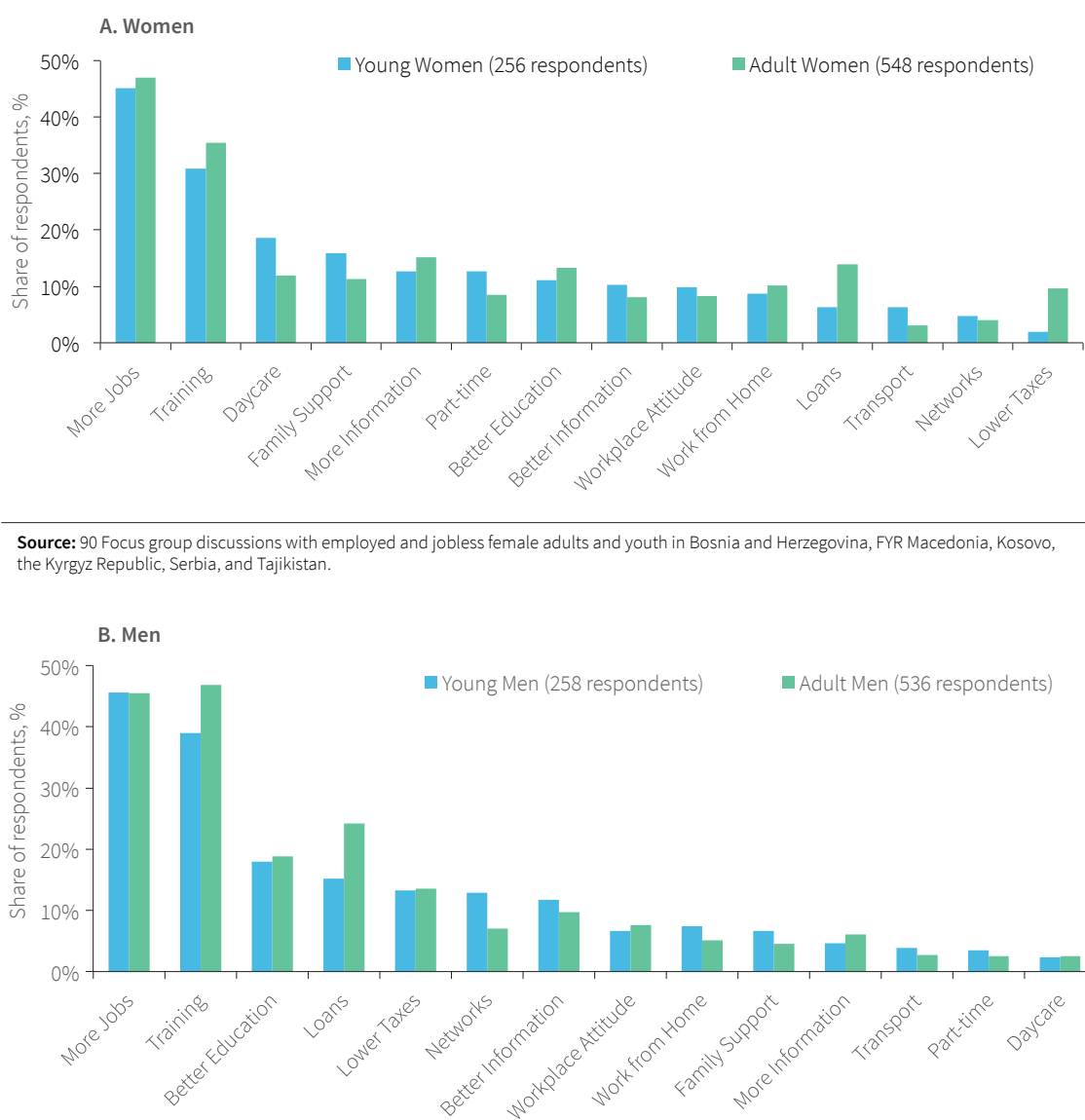
Participant 3: "For men, it would be easier to fight a way through and collect all the necessary documents."

Participant 4: “Men take it easy, while women are too emotional. A woman may visit an official and then come home and cry, while a man is emotionally stronger.”

What can be done to overcome the barriers to employment? What do young people believe

would make employment and entrepreneurship more accessible? In parallel to what youths see as key barriers to employment, they consider that policies aimed at providing more and better training, access to credit and networks, and quality child care are essential to opening up work opportunities (figure 3.5).

FIGURE 3.5 The Factors Considered Important in Improving Access to Employment Differ Based on Age
Factors that would make the biggest difference in improving access to employment and entrepreneurship (for own sex), by age group, % respondents who selected factor among top two



Source: 90 Focus group discussions with employed and jobless female adults and youth in Bosnia and Herzegovina, FYR Macedonia, Kosovo, the Kyrgyz Republic, Serbia, and Tajikistan.

Source: 90 Focus group discussions with employed and jobless male adults and youth in Bosnia and Herzegovina, FYR Macedonia, Kosovo, the Kyrgyz Republic, Serbia, and Tajikistan.



Turkey. Photo© Assignments/Dreamstime.com



Kyrgyzstan. Photo© Isak Wiklund/Dreamstime.com

Conclusions and Policy Implications

This report focused on answering three sets of questions:

(i) What is the role of jobs in promoting social and economic mobility and the growth of a middle class, and in protecting households from poverty?

(ii) What are the barriers to productive employment? Are job opportunities different for men and women? Do these gender differences vary with the life-cycle, socio-economic situation and location?

(iii) To what extent are opportunities shaped by expectations, goals and social norms? To what extent are they market-driven? Are there also government/institutional failures that lead to different opportunities for men and women? Do these play out differently for youth?

Listening to the voices of women and men in Europe and Central Asia reveals that, despite an overall good performance in economic growth and shared prosperity, there is a lot of discontent and rising concerns about a disappearing middle class. While economic growth in most countries in the region has created an economic ladder to better living standards, many people see no open path to climb beyond the first rungs. Many see reaching the middle class as

an elusive goal. Instead, men and women across the region describe societies that are greatly polarized. Advances in living standards at the lower end of the welfare distribution are seen as overtaken by more rapid gains at the top. Across countries, people are voicing frustration about progress and inequality of opportunities and concerns about the sustainability of the gains that have been achieved.

These frustrations and concerns arise from mainly two interrelated factors:

- i. *Jobs are seen as crucial for economic mobility, and yet people do not perceive they have a fair chance at having access to productive jobs.* These concerns may be partly related to the global economic crisis, but not only. In fact, these perceptions are echoed in questions and discussions referring to the pre-crisis period, and are also consistent with related findings from the mid-2000s when the region was growing rapidly.⁴⁷ They are also more salient in countries in which job creation has been weaker, like in the Western Balkans. For the majority of people in the region, accessing productive jobs requires political and social **connections** —which the most disad-

⁴⁷ Cancho et al (2015b).



vantaged lack given limited information and access to networks—. For women, the fact that they often have to work around a set of informal institutions and **social norms** that keep them —intentionally and unintentionally— from reaching their productive potential, means that their sense of frustration in accessing economic opportunities may be heightened. These barriers play a critical role in shaping people’s behavior and economic opportunities, particularly in a context of limited job creation.

- ii. *These frustrations are exacerbated by very high expectations about what a job is and should be.* Most people, including youths, still aspire to a public sector job with a permanent contract, and do not consider as proper employment anything that is informal or irregular, including self-employment. These job preferences are in fact a form of social norm, rooted in the region’s history and legacy. The risk is a vicious cycle of low productivity, low investments, unmet expectations, and more frustrations.

But not all is doom and gloom—and the analysis also reveals important opportunities for policy. First, youth see —more than the older generations— a value in obtaining skills that are relevant for the labor market, and see education as a way to move up the Ladder of Life. And, while they still have job aspirations that are remarkably similar to those of their parents, they seem willing to give up some job security for more fulfilling, more ambitious jobs. This is an opportunity for the region. Second, the key barriers to productive employment related to the role of networks and connections and social norms —although they are largely outside of the control of the individual— are actually amenable to policy influence.

There is a small, albeit growing, body of evidence on which policymakers and researchers can build on. Table C.1 summarizes examples of

interventions from around the world, further described in the following paragraphs. Many interventions address more than one barrier at a time. This is probably not surprising given that many of the barriers and processes that underpin the importance of social norms and connections in the region are common and associated with issues of information, lack of role models and biases.

First, connecting people to jobs requires policies that address governance failures, as well as lack of networks and information asymmetries.

Especially in the public sector, accessing jobs is often more a matter of who you know, than what you know. Beyond system-wide governance reforms, improving transparency in the process of hiring, firing and rewarding public sector employees can play a key role; this could be achieved, for example, through the professionalization of the civil service, by introducing processes and criteria for merit-based competitive recruitment and objective evaluations,⁴⁸ or by using incentives and technology for reducing ghost workers and absenteeism.⁴⁹

Public policy can also aim to build networks and provide access to job-market relevant information, to students, job seekers and employers. There is growing evidence of cost-effective interventions that address *information* failures, including labor market observatories that provide the public with information on labor market conditions and the quality of education and training institutions.⁵⁰ For example, the state of Colorado in the United States has recently created a website called “Launch My Career Colorado”, an interactive web-tool that allows students and parents to determine the estimated rate of

⁴⁸ OECD 2013.

⁴⁹ Duflo, Hanna, and Ryan 2012; Cilliers and others 2013; Callen and others 2014; Aker and Ksoll 2015; Dhaliwal and Hanna 2014.

⁵⁰ Arias et al. 2014.

TABLE C.1 Expanding the toolkit for labor market inclusion policies is key

Policy objectives	Examples of interventions
Connecting people to jobs	<p><i>Addressing governance failures, especially around public sector employment</i></p> <ul style="list-style-type: none"> • System-wide governance reforms • Improving transparency in the process of hiring, firing and rewarding public sector employees through, for example, the professionalization of the civil service, as well as incentives and technology to reduce ghost workers and absenteeism <p><i>Interventions aimed at improving access to information on education and training and labor markets</i></p> <ul style="list-style-type: none"> • Labor market observatories, to provide relevant stakeholders with information that can inform their educational and labor market choices • Professional orientation in the school system and early in the school-to-work transition, to provide youth with information that can inform their educational and labor market choices <p><i>Improving information and networks to access jobs and improve schooling and labor market decision making</i></p> <ul style="list-style-type: none"> • Providing incentives to employers to hire new entrants into the labor market can help bridge some of the information and network gaps that make it more difficult for these groups to access their first job. This can be done through apprenticeships/internships schemes or well-targeted and designed short-term employment subsidies • Intermediation services to help improve job search and provide counseling and matching services, including improvements in public employment services and their relationship with private ones; job fairs, job shadowing and mentoring
Social norms	<p><i>Interventions to overcome and influence social norms</i></p> <ul style="list-style-type: none"> • Shifting aspirations and expectations through, for example: role models and mentoring; media interventions (e.g. soap operas, campaigns, radio), to expose people to information and role models; or by disseminating information on increased job opportunities for young women • Working within existing norms, but improving access to economic opportunities for all, through, for example, access to child care (quality and affordable). • Strengthening incentives and using behavioral insights to engage employers directly through novel instruments such as private sector gender certifications or revealing to employers their own biases when hiring or promoting by creating checklists for them to make sure they are not weighing beliefs over facts

return for various post-secondary college degrees and certificates. These observatories could be complemented with professional orientation in the school system and early in the school-to-work transition,⁵¹ as is being done in FYR Macedonia.

Programs that provide *incentives* for employers to hire new entrants into the labor market, most commonly youth or women, can help bridge some of the information and network gaps that make it more difficult for these groups to access their first job. Apprenticeships and internships, for example, have been shown to improve employment and earnings in countries as diverse as the Colombia, Dominican Republic, and Kenya.⁵² Employment subsidies can play a similar role, although they are most likely to avoid inefficiencies when limited to temporary economic downturns.⁵³ Other interventions may focus on *intermediation* services to help improve job search and provide counseling and matching services, and guiding people in the process of searching and finding a job. These type of services have been found to be very cost-effective, especially in more advanced countries.⁵⁴ Related to intermediation, job fairs –often organized in collaboration between the private sector and educational institutions– can also provide an accessible platform to learn about job opportunities and vacancies.⁵⁵ There is also recent evidence suggesting that job shadowing, mentoring and linking people to role models can help build and broaden social and professional networks; at the same

time, these programs can improve knowledge about labor market conditions for both employees and self-employed, and strengthen job-relevant skills.⁵⁶

Second, evidence is also building up on policies to influence and overcome social norms that limit access to economic opportunities, particularly for women. Social norms can be influenced by promoting greater knowledge about alternatives, and promoting the coordination of individuals to challenge social norms or collective action.⁵⁷ Interventions include shifting aspirations and expectations through mentoring and role model figures,⁵⁸ increased female participation in decision-making⁵⁹ as well as media interventions (e.g. soap operas, campaigns, radio)⁶⁰ that, for example, portray women at work and in traditionally male-dominated sectors, or people starting and running their own business or working in specific sectors.⁶¹ However, recognizing that social norms can take time to change, it is important to also think about policies and measures that work within existing social norms, yet improve access to opportunities. For women, access to affordable and high quality child and elder care is arguably a priority to help balance work and the family responsibilities that in most cases fall on them.⁶² More broadly, innovative approaches among employers, such as private sector gender certifications,⁶³ recruitment checklists to reveal employers' biases,⁶⁴ and behavioral interventions⁶⁵ can help address stereotypes and improve incentives to hire disadvantaged groups.

⁵¹ Ibarraran and Rosas, 2009; Honorati, 2015; Card et al, 2011; Ibarraran et al, 2015; Attanasio et al, 2011; Kugler et al., 2015; Aedo and Nuñez, 2004.

⁵² Ibarraran and Rosas, 2009; Honorati, 2015; Card et al, 2011; Ibarraran et al, 2015; Attanasio et al, 2011; Kugler et al., 2015; Aedo and Nuñez, 2004.

⁵³ Card, et.al, 2010; Betcherman, et.al, 2010; Betcherman et al, 2007; Kluve et al, 2010.

⁵⁴ Kluve et al, forthcoming; Behaghel, Crepon, and Gurgand, 2009; Honorati and McArdle 2013, Almeida et al. 2012; Behncke, Frolich, and Lechner, 2008 and 2010.

⁵⁵ Beam, 2015.

⁵⁶ Eby et.al, 2008; Rodriguez-Planas, Nuria, 2014.

⁵⁷ World Bank (2011).

⁵⁸ Eby et.al, 2008; Rodriguez-Planas, Nuria, 2014; Jensen 2012.

⁵⁹ Beaman and others, 2010; Bhavnani 2009.

⁶⁰ La Ferrara, Chong, and Duryea 2012; Jensen and Oster 2007; Di Pietro, 2016; DellaVigna and Ferrara 2015; Banerjee, La Ferrara, and Orozco, forthcoming.

⁶¹ Di Pietro 2016.

⁶² Calderón, 2012; Del Boca and Locatelli, 2006.

⁶³ Pungiluppi 2010.

⁶⁴ Kaas and Manger 2010; Good, Aronson, and Inzlicht 2003

⁶⁵ Good, Aronson, and Inzlicht 2003.



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Despite the insights gathered in the course of this study, there are still areas where additional research is needed to fully answer pending policy questions. Three areas for future work emerge clearly from this study.

- Building the evidence on what works to address non-traditional barriers to jobs and mobility, both in the short and the medium/long-term.** Overcoming barriers such as social and gender norms or lack of access to connections requires specific interventions which can be used alongside more traditional policy measures. Yet, evidence on what interventions work and when they do

so most successfully, can be strengthened. But more can be done to reach the low-hanging fruits for impact also in the shorter term. Insights from behavioral economics could be particularly useful in designing interventions that help address these constraints throughout an individual's life-cycle, and especially early on in life within families and in the education system, as well as at the community level. For example, interventions to overcome the impact of teachers' biases in the classroom or employers' biases during hiring processes could benefit from behavioral insights, and provide ways to address normative barriers to productive jobs.

- **Better understanding the implications of perceptions and aspirations and changing realities in the region for countries' social contract.** This study provides extensive evidence that the social contract between citizens and the state is still rooted in the pre-transition legacy.⁶⁶ The latter appears to still shape strongly expectations in terms of jobs and what they should provide including, surprisingly, among youth. But the changing realities in much of the ECA region—related to globalization, demographics, migration, technological change—push for the social contract to adapt to new contexts, and for policies to facilitate such adaptation. For example, it might be necessary to rebalance the role of social protection programs as safety nets with their potential insurance function. This, given the high preference people place on job and income stability, but at the same time the significant disruptions that can be expected in labor markets due to global forces.
- **Better understanding and adapting the concept of “work”, especially in low and middle income countries.** Over a third of adults who took part in this study do not consider irregular wage work in agriculture to represent employment. Over half do not consider irregular wage work in construction as such. Yet, both concepts would fall within traditional definitions of employment used in household surveys, possibly leading to wrong conclusions. Given the importance of these sectors for employment in low and middle income countries, it is important to test and understand better people's interpretation of such key concepts, and find ways to adapt our own thinking, including the tools and methods of analysis, to the better reflect the context.

⁶⁶ See also Niehues (2014).

Finally, this study has two important lessons for analytical and operational engagement on poverty, mobility and jobs in the region. First, the need to expand the *diagnostics toolkit* to harness the strong synergies in combining quantitative and qualitative work. This is particularly important in topics like labor markets where quantitative surveys can only provide a partial view of some of the barriers to work including networks, social norms, attitudes and aspirations, as well as economic mobility where people's perceptions are arguably just as important as hard data. The lens provided by qualitative evidence in this report on how societies perceive progress and the opportunities for and challenges to upward mobility is extremely valuable and complements traditional quantitative analyses. In particular, it provides insights that the latter often miss, related to informal institutions and attitudes. Importantly, it reveals a disconnect between performance measured by traditional economic indicators and people's perceptions of their welfare and economic mobility. The negative perceptions on how people get ahead and find good jobs –widespread across the region– can influence how they view and evaluate situations, and how they make decisions.⁶⁷ Addressing the factors behind this disconnect is important. The second lesson, therefore, calls for expanding the *policy toolkit* to incorporate programs and interventions, like the ones discussed above, that aim at addressing non-traditional barriers to work.

⁶⁷ World Bank (2015c).

Voices of Europe and Central Asia: New Insights on Shared Prosperity and Jobs



On paper vs. on the ground: a disconnect

Many people do not see improvements in their daily lives, despite indicators that show progress in economic growth and poverty reduction.

Jobs are seen as crucial to a better life, but access to jobs is perceived to be unfair



Connections and social norms:

barriers or keys to a better future?
People's lack of control over these areas leads to frustration and perceptions of unfairness



Increasing polarization

People see the poor getting poorer, the rich getting richer and a disappearing middle class



An expanded policy toolkit is necessary to tackle barriers to jobs

How can we do better at connecting people to jobs and overcoming barriers posed by social and gender norms?



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Annex

Annex I: Regional Methodology

This report is based on data gathered using the qualitative methodology developed by a multi-sectoral World Bank team (Patti Petesch, Giorgia Demarchi, María E. Dávalos and Indhira Santos). The same methodology and instruments were used for fieldwork in nine ECA countries (Bosnia and Herzegovina, FYR Macedonia, Georgia, Kazakhstan, Kosovo, Kyrgyz Republic, Serbia, Tajikistan and Turkey). The data collection took place between April and September 2013, and was conducted by local research teams.⁶⁸

Purposive sampling was used to select 4 to 6 communities in each of the nine countries, to provide a diverse range of experiences on the study topics. The community was taken as the unit of analysis, and was conceived as a relatively well-defined neighborhood or village where people generally know each other. Researchers ensured a balance between rural and urban areas, between better-off and worse-off communities, and –where relevant- between different ethnic groups. Better-off communities were conceived as having a large share of formal sector workers or entrepreneurs, and they were in many cases middle-class neighborhoods. In contrast, worse-off communities were thought of as inhabited mostly by informal sector workers, relying on lower-productivity economic activities.

A total of 43 communities were sampled.

The data collection tools in all countries featured a mix of instruments (see table below). The tools comprised a community questionnaire, two focus group discussions with adults (one with people who work, and one with people who are out of work), life story interviews, key informant interviews (one with an employer and one

⁶⁸ Bosnia and Herzegovina – PRISM, Sarajevo; FYR Macedonia - Center for Research and Policy Making, Skopje; Georgia - Georgian Opinion Research Business International (GORBI), Tbilisi; Kazakhstan - Business Information, Social and Marketing Research Centre (BISAM), Almaty; Kosovo - Index Kosova, Prishtina; Kyrgyz Republic - M-Vector Research and Consulting, Bishkek; Serbia - IPSOS Strategic Marketing, Belgrade; Tajikistan - M-Vector Research and Consulting, Dushanbe; Turkey - A2F Consulting, Bethesda MD, USA.

TABLE 3. Data collection tools

<i>Data Collection Method</i>	<i>Time required</i>	<i>Purpose</i>	<i>Respondents per community</i>
Activity 1. Community Questionnaire	1.5 hours	To gain an understanding of the local context, and community level factors that influence economic mobility and labor markets. This includes a discussion on how these factors affect men and women differently.	1 or 2 key informants as needed to complete questionnaire
Activity 2. Focus group discussion: Economic Mobility, Jobs, and Entrepreneurship among the Employed	2.5 hours	To explore with adult women and men who work: <ul style="list-style-type: none"> • Trends in local economic opportunities, and factors affecting this; • Economic mobility and the middle class • Access to labor markets and entrepreneurship opportunities • Impacts of labor market policies 	1 FGD of 8 to 12 adult women, ages 25 to 55 1 FGD of 8 to 12 adult men, ages 25 to 55 (employees and entrepreneurs in formal and informal sectors)
Activity 3. Focus group discussion: Economic Mobility, Jobs, and Entrepreneurship among the Non-Employed	2.5 hours	To explore with adult women and men who do not work: <ul style="list-style-type: none"> • Trends in local economic opportunities, and factors affecting this • Economic mobility and the middle class • Barriers to accessing labor markets and entrepreneurship opportunities • Impacts of labor market policies 	1 FGD of 8 to 12 adult women, ages 25 to 55 1 FGD of 8 to 12 adult men, ages 25 to 55 (unemployed and inactive)
Activity 4: Semi-structured interview Individual Life Story	2 hours	To explore with adult women and men: <ul style="list-style-type: none"> • How and why some individuals climb into or stay in the middle class, while others fall into poverty or remain poor. • The factors that facilitate or hinder access to labor markets and entrepreneurship opportunities 	1 adult woman worker 1 adult man worker 1 (either sex) on social assistance
Activity 5. Key informant interviews: Gender and Local Employment and Entrepreneurship Opportunities	1.5 hours	To explore with knowledgeable informants: <ul style="list-style-type: none"> • Local economic trends affecting enterprises and labor force opportunities • Access to labor markets and entrepreneurship opportunities • Impacts of labor market policies • Differences across gender and age-groups in access to jobs and economic opportunities 	A major private sector employer An official with a major local public employment service agency
Activity 6. Focus group discussion Young People Moving Ahead in Work and Life	2.5 hours	To explore with young women and men: <ul style="list-style-type: none"> • Education decisions • Barriers to accessing labor markets and entrepreneurship opportunities • Motivations behind labor market decisions • Family formation preferences and how they link to labor market choices • Access to youth services • Use of free time and risky behavior 	1 FGD of 8 to 12 women ages 18 to 25 1 FGD of 8 to 12 men ages 18 to 25

Note: These data collection instruments are available with the online version of the report.

with employment agency staff), and in seven countries focus group discussions with youth (in a total of 34 communities). The focus group discussions were conducted with men and women separately. This provided a fundamental gender lens, which complemented the views on gender-specific issues investigated through direct questions on such topic. Field coordinators were also instructed to select respondents with a variety of demographic and employment profiles, to ensure further diversity in labor markets and mobility experiences.

The detailed methodology guide contained precise questions and instructions for local field coordinators, facilitators and note-takers. It included a mix of closed-ended and open-ended questions, and relied on the use of visuals and other such tools. An example of this is the *Ladder of Life* activity, conducted within focus group discussions with working men and women, to explore levels of well-being and mobility at the community level.

The exercise entitled the *Ladder of Life* was used to explore mobility trends and factors, as well as their gender dimensions. The activity was only conducted in focus groups discussions with employed adults. Focus group members began to build their ladder by detailing in their own words the characteristics of the “best off” and “worst off” households residing in their community. The traits of each were then noted by the focus group facilitator on a flip chart with just the top (for the best off) and bottom (worst off) steps of a ladder depicted. Focus group members then moved on to outline the characteristics of households on a step added just above the bottom step (or step one). Next, they described any additional steps needed to capture the different levels of well-being that they perceived to be present in their community. Most ladders featured between three and six steps, representing different levels of well-being perceived to exist in their society. The descriptions included types of assets, jobs, education levels, as well as personality and attitude traits that are common at the different levels. After identifying the community poverty line and the steps seen to belong in the middle class, focus groups were asked to distribute 100 households in their community across the steps, representing first the current situation and then the distribution ten years ago. Focus groups then move on to discussing trends in inequality and reasons for mobility up and down.

